McDowell Collmer, L.L.P.

ATTORNEYS AT LAW
CHEVRON TOWER
1301 MCKINNEY, SUITE 3700
HOUSTON, TEXAS 77010-3089

JOHN T. McDowell
MARK W. COLLMER*
CLINTON E. WELLS, JR.
JOHN H. DIES
ZOOEY WHARTON
*BOARD CERTIFIED-PERSONAL INJURY TRIAL LAW
BOARD CERTIFIED-CIVIL TRIAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

TELEPHONE (713) 655-9595 FAX (713) 655-7868

February 28, 2000

Mr. William J. Eggleston Mr. Mark Easley Eggleston & Briscoe 4800 Three Allen Center 333 Clay Houston, Texas 77002

RE: Cause No. 96-G0201; Hercules Marine Services Corporation v. Bob Casale; In the 239th Judicial District Court of Brazoria County, Texas

Dear Bill and Mark:

Enclosed you will find corporate documents which were produced by Terry Sears in response to our request for production.

Very truly yours,

McDowell Collmer, L.L.P.

John McDowell

JTM/ng Enclosures

F-1886018571000



HERCULES MAKINE
BOARD OF DIRECTORS MINUTE BOOK

HERCULES MARINE SERVICES CORPORATION

Board of Directors Minute Book

Volume I

Original - Corporate Secretary

GRIGGS&HARRISON, P.G.
A TO DRIVELY STATE LEVELY STATE LEV

BRYAN A. DOMNING (713) 750-5540 E-mail Address bad@gbpc.com

June 3. 1998

970318

Via Hand Delivery

Ann Zeigler
Hughes, Waters and Ashkanase
1415 Louisiana 37th floor
Houston, TX 77002

RE: Case No. 98-34630-H2-7, In re: Hercules Marine Services Corporation, Debtor, in the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division

Dear Ms. Hillman.

Enclosed is the original corporate minute book of Hercules Marine Services Corporation for your safekeeping.

Very truly yours,

Bryan A. Domning

BAD:kal

Updated: 12/2/94

CORPORATE DATA SHEET

Corporation: Hercules Marine Services Corporation

Filed November 15, 1993; name change from Name Change: Hercules Real Estate Corporation to Hercules

Offshore Marine Services Corporation

Filed January 7, 1994; name change from Hercules Offshore Marine Services Corporation

to Hercules Marine Services Corporation

Incorporated (Date & State) August 30, 1993; Texas

State File ID#: 1282419

Foreign Qual .: None

Fiscal Year End: September 30 (previously January 31)

Authorized Stock: 1,000 shares of common stock

Par Value: \$1.00 per share

Issued Stock: Pursuant to organizational minutes dated

8/30/93, Kane Maritime S.A. was issued two (2) shares of common stock, \$1.00 par value, for

\$1,000.

On 10/15/93, Kane dividended its stock in the Corporation to Adway International Ltd. and Adway was issued stock certificate number 2

for 2 shares of common stock, par value \$1.00.

Registered Agt: Capitol Corporate Services, Inc.

1212 Guadalupe, Suite 102 Austin, Texas 78701

Annual Mtg Date: To be determined by Board of Directors

No. of Authorized Not less than 1 nor more than 5

Directors:

Bylaws amended December 21, 1993: quorum for board of directors is all of the board members then in office and all actions brought before board of directors require the unanimous approval of all board members then in office.

Corporate Data Sheet Page 2

Bylaws amended 4/6/94: 3 directors at the time in office shall constitute a quorum for the transaction of business at any regular or special meeting of the Board of Directors; provided; however, that the majority of members necessary to constitute such quorum shall at all times be U.S. citizens, so that there shall in no instance be a quorum which consists of a majority of non-U.S. citizens.

Directors:

as of 8/30/93

Thomas J. Seward II, Chairman of the Board Lo Kok Kee : : Daniel Tan -

as of 10/15/93

Thomas J. Seward II, Chairman of the Board Salehuddin Hashim Thomas E. Hord

as of 4/4/94

Thomas J. Seward II Thomas E. Hord Salehuddin Hashim Zaharuddin Alias Barbara Mitchell

Officers:

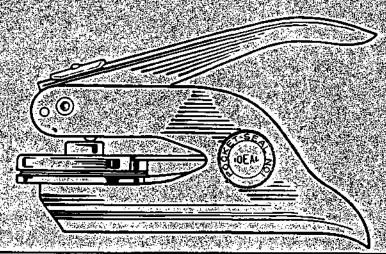
as of 8/30/93

Daniel Tan - Chairman of the Board
Thomas J. Seward II - President and Chief
Executive Officer
Thomas E. Hord - Vice President of Operations
Lo Kok Kee - Vice President
Robert H. Millis - Secretary, Treasurer, Chief
Financial Officer
Sue Manuel - Assistant Secretary

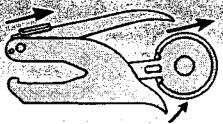
as of 10/15/93

Thomas J. Seward II - President and Chief Executive Officer Jesse Camacho - Vice President of Operations Robert H. Millis - Treasurer Sue Manuel - Secretary

KMO f:\man\704-14\CORP-1Nf.HMS





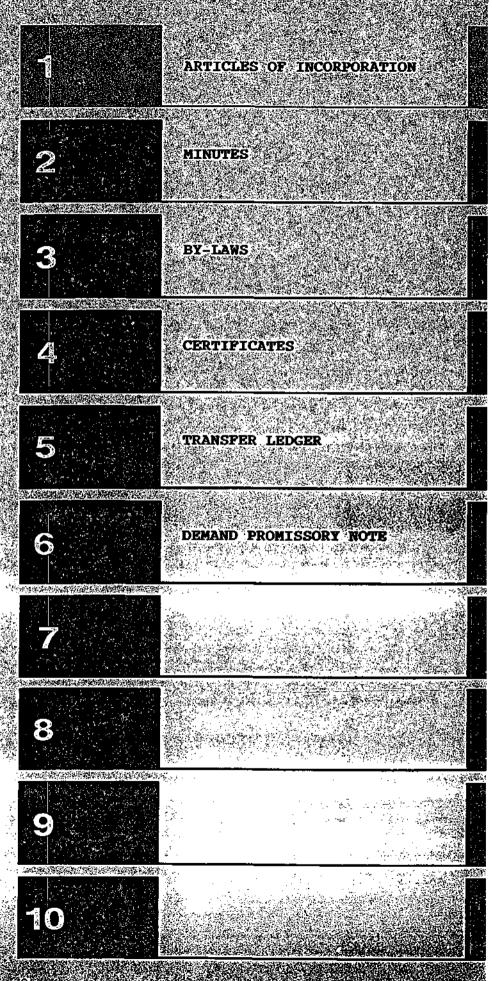


2. THEN REMOVE DIE HOLDER

HOLD HANDLE OPEN-COMPRESS DIE HOLDER & SLIDE INTO SEAL PRESS GROOVES WILL LOCK ON THESE FLANGES

REORDER Liberty Legal 602 STATE SO. HOUSTON, TX 77587 (713) 946-0141 1-800-392-3720

Table of Contents





The State of Texas

SECRETARY OF STATE

CERTIFICATE OF INCORPORATION OF

HERCULES REAL ESTATE CORPORATION CHARTER NO. 1282419

The undersigned, as Secretary of State of Texas, hereby certifies that the attached Articles of Incorporation for the above named corporation have been received in this office and are found to conform to law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the Secretary by law, hereby issues this Certificate of Incorporation.

Issuance of this Certificate of Incorporation does not authorize the use of a corporate name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated

August 30, 1993

Effective

August 30, 1993 🐧



Secretary of State

FILED In the Office of the Secretary of State of Texa

ARTICLES OF INCORPORATION OF

AUG 3-0-1993

Corporations Section

HERCULES REAL ESTATE CORPORATION

ARTICLE I

The name of the corporation is Hercules Real Estate Corporation.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The corporation is organized for the purpose of engaging in any lawful act activity and/or business for which corporations may be organized under the Texas Business Corporation Act.

<u> Article iv</u>

The aggregate number of shares which the corporation shall have the authority to issue is 1,000 shares of Common Stock, par value \$1.00 per share:

<u>article</u> v

No holder of any shares of any class of the corporation's authorized shares, or any other class of stock of the corporation hereafter authorized, shall, as such holder have any preemptive or preferential right to receive, purchase, or subscribe to (a) any unissued or treasury shares of any class of stock of the corporation (whether now or hereafter authorized), (b) any obligations, evidences of indebtedness, or other securities of the corporation convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase, or subscribe to, any such unissued or treasury shares, (c) any right of subscription to or to receive, or any warrant or option for the purchase of, any of the foregoing securities, or (d) any other securities that may be issued or sold by the corporation

ARTICLE VI

The corporation will not commence business until it has received for the issuance of its shares consideration of the value of \$1,000.00, consisting of money, labor done or property actually received.

ARTICLE VII

The address of the registered office of the corporation is 1212 Guadalupe, Suite 102, Austin, Texas 78701 and the name of its initial registered agent at such address is Capitol Corporate Services, Inc.

ARTICLE VIII

The name and address of the incorporator is as follows:

NAME

ADDRESS

Klara A. Zehentmavr

4500 Trammell Crow Center 2001 Ross Avenue Dallas, Texas 75201

ARTICLE IX

The number of directors constituting the Board of Directors on the date hereof is one (1) and the name and address of the person who is to serve as director until the next annual meeting of the shareholders, or until his successor or successors are elected and qualified is as follows:

NAME

ADDRESS

G. Matthew Sheridan

805 Third Avenue New York, New York 10022

ARTICLE X

The corporation shall indemnify persons for whom indemnification is permitted by Article 2.02-1 of the Texas Business Corporation Act and such indemnification shall be made to the fullest extent permitted thereby.

ARTICLE XI

To the fullest extent permitted by law, directors and former directors of the corporation shall not be liable to the corporation or its shareholders for monetary damages for an act or omission in the director's capacity as a director. No amendment of this Article XI shall adversely affect any right or protection of a director that exists at the time of such amendment, modification or repeal.

ARTICLE XII

The right to accumulate votes in the election of directors and/or cumulative voting by any shareholder is hereby expressly denied.

ARTICLE XIII

Any action required by the Texas Business Corporation Act or Other applicable laws or any action which may be taken without a meeting, may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted.

ARTICLE XIV

Special meetings of the shareholders of the corporation may be called by shareholders only if the holders of at least 10 percent (10%) of all shares entitled to vote at the proposed special meeting call such meeting:

The undersigned, the incorporator of this corporation, has signed these Articles of incorporation on August 30, 1993.

Klara A. Zehentmayr



The State of Texas

Secretary of State

NOV: 15, 1993

KIM M. O'BRIEN - BELL & MURPHY 1300 POST OAK BLVO., 20TH FLR HOUSTON - TX 77056-3095

RE: HERCULES OFFSHORE MARINE SERVICES CORPORATION

CHARTER NUMBER 01282419-00

IT HAS BEEN OUR PLEASURE TO APPROVE AND PLACE ON RECORD YOUR ARTICLES OF AMENDMENT. A COPY OF THE INSTRUMENT FILED IN THIS OFFICE IS ATTACHED FOR YOUR RECORDS.

THIS LETTER WILL ACKNOWLEDGE PAYMENT OF THE FILING FEE.

IF WE CAN BE OF FURTHER SERVICE AT ANY TIME, PLEASE LET US KNOW.

VERY TRULY YOURS.

Secretary of State



The State of Texas

Secretary of State

CERTIFICATE OF AMENDMENT

FOR

HERGULES OFF SHORE MARINE SERVICES CORPORATION

FORMERLY

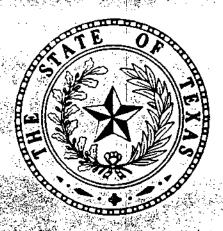
HERCULES REAL ESTATE CORPORATION CHARTER NUMBER 701282419

THE UNDERSIGNED; AS SECRETARY OF STATE OF THE STATE OF TEXAS;
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF AMENDMENT FOR THE ABOVE
NAMED ENTITY HAVE BEEN RECEIVED IN THIS OFFICE AND ARE FOUND TO
CONFORM TO LAW.

ACCORDINGLY THE UNDERSIGNED. AS SECRETARY OF STATE, AND BY VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS CERTIFICATE OF AMENDMENT.

DATED NOV. 15, 1993

EFFECTIVE NOV. 15, 1993



John Namal Ja

articles of amendment TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Article 4.04 of the Texas
Business Corporation Act (the "Act"), the undersigned corporation
adopts the following Articles of Amendment to its Authorofice of the ecretary of State of Texas Incorporation:

NOV 1 5 1993

ARTICLE 1

Corporations Section

The name of the corporation is Hercules Real Esta Corporation.

ARTICLE 2

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on October 19 , 1993: The shareholders of the corporation deemed it to be in the best interest of the corporation to change the name of the corporation from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation:

The amendment alters or changes Article I of the original Articles of Incorporation and the full text of such provision as amended is as follows:

"ARTICLE I

The name of the corporation is Hercules Offshore Marine Services Corporation:

ARTICLE 3

The number of shares of the corporation outstanding at the time of such adoption was 2; and the number of shares entitled to vote thereon was 2.

ARTICLE 4

The holders of all the shares outstanding and entitled to vote on said amendment have signed a consent in writing pursuant to Article 9.10 of the Act adopting said amendment and any written notice required by Article 9.10 of the Act has been given.

Dated October 37th, 1993.

HERCULES REAL ESTATE CORPORATION

Name: Thomas J. Seward.

Title: President

f:\man\704-11\Art-Amd.NRE



The State of Texas

Secretary of State

CERTIFICATE OF AMENDMENT

FOR

HER CULES MARINE SERVICES CORPORATION

FORMERLY

HERCULES OFFSHORE MARINE SERVICES CORPORATION
CHARTER NUMBER 01282419

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF AMENDMENT FOR THE ABOVE
NAMED ENTITY HAVE BEEN RECEIVED IN THIS OFFICE AND ARE FOUND TO
CONFORM TO LAW.

ACCORDINGLY THE UNDERSIGNED. AS SECRETARY OF STATE, AND BY VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS CERTIFICATE OF AMENDMENT.

DATED JAN. 7, 1994

EFFECTIVE JAN. 7, 1994



John Hamal Jr.
Secretary of State

ARTICLES: OF AMENDMENT TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Article 4.04 of the Texas
Business Corporation Act (the "Act"), the undersigned corporation
adopts the following Articles of Amendment to its Articles of Texas
Incorporation:
Secretary of State of Texas

ARTICLE 1

JAN 0 7 1994

The name of the corporation is Hercules Offshold Alection Services Corporation:

ARTICLE 2

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on how of the corporation deemed to be in the best interest of the corporation to change the name of the corporation from Hercules Offshore Marine Services Corporation to Hercules Marine Services

The amendment alters or changes Article I of the amended Articles of Incorporation and the full text of such provision as amended is as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

ARTICLE 3

The number of shares of the corporation outstanding at the time of such adoption was 2; and the number of shares entitled to vote thereon was 2.

ARTICLE 4

The holders of all the shares outstanding and entitled to vote on said amendment have signed a consent in writing pursuant to Article 9.10 of the Act adopting said amendment and any written notice required by Article 9.10 of the Act has been given.

Dated <u>Not 21</u>, 1993.

交替中央中央公司等的基础的。1992年第16

HERCULES OFFSHORE MARINE SERVICES CORPORATION

Name: Thomas J./ Seward, II.

Title: Presifiént



The State of Texas

Secretary of State

JAN. 7, 1994

BELL & MURPHY - KIM M. O'SRIEN 1300 POST OAK BLVO, 20TH FLR HOUSTON : TX 77056-3095

RE: HERCULES MARINE SERVICES CORPORATION & CHARTER NUMBER 01282419-00

IT HAS BEEN OUR PLEASURE TO APPROVE AND PLACE ON RECORD YOUR ARTICLES OF AMENDMENT. A COPY OF THE INSTRUMENT FILED IN THIS OFFICE IS ATTACHED FOR YOUR RECORDS.

THIS LETTER WILL ACKNOWLEDGE PAYMENT OF THE FILING FEE.

IF WE CAN BE OF FURTHER SERVICE AT ANY TIME, PLEASE LET US KNOW.

VERY TRULY YOURS,



John Hamal Ja



The State of Texas

SECRETARY OF STATE

The undersigned, as Secretary of State of the State of Texas, HEREBY CERTIFIES that the attached is a true and correct copy of the following described instruments on file in this office:

HERCULES MARINE SERVICES CORPORATION

CHANGE OF REGISTERED OFFICE AND/OR AGENT ARTICLES OF AMENDMENT ARTICLES OF AMENDMENT OCTOBER 21, 1993 NOVEMBER 15, 1993 JANUARY 7, 1994



IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in the City of Austin, on February 1, 1994.

Secretary of State

DEM

FILED //)
In the Office of the Secretary of State of Texas

STATEMENT OF CHANGE OF REGISTERED OFFICE 2 1993 OR REGISTERED AGENT OR BOTH BY A PROFIT CORPORATION Corporations Section

1.	The name of Corporation: The corporation				cules Real	<u>Estate</u>
2.	The address records of t street addre in Texas)	of the CUR he Texas s	RENT regis	tered off	s: . (Please	provide
	1212 Guadalu Austin, TX		02			
3.	A.X.The acprovide stremust be in T	et address	the NEW ro	gistered ite and zi	office is; p code. The	(Pléase address
	<u>11011 Richmo</u>	nd Avenue.	Suite 500			
	Houston. TX	77042				
OR 📲	B The r	egistered	office add	lress will	not change	
4.	The name of records of to Services. In	he Texas e <u>C</u> .	secretary o	f state i	s <u>Capitol (</u>	Corporate
5.	A. X The na	me of the	NEW regist	ered agen	r 18 Kobert	: MIIIIB
OR	B. The r	egistered	agent will	not chan	ge.	o a a disambili ee
6.	Following t registered a registered a law.	he change office an gent will	s shown d the add continue to	above, the ress of the identity	ne address the office ical, as re	of the of the quired by
7.	The changes	shown abov	/e were aut	horized h	y: (check o	one) 🧦 🧼
	A. The B. X An o	board of d	irectors.		authorize	
				1		1 11

(Please refer to the back of this form for additional instructions)

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Article 4.04 of the Texas
Business Corporation Act (the "Act"), the undersigned corporation
adopts the following Articles of Amendment to its Aftheorem onlie
Incorporation:

Secretary of State of Texas

NOV 1.5 1993

ARTICLE 1

Corporations Section

The name of the corporation is Hercules Real Estate Corporation.

ARTICLE 2

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on october 1993. The shareholders of the corporation deemed it to be in the best interest of the corporation to change the name of the corporation from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation.

The amendment alters or changes Article I of the original Articles of Incorporation and the full text of such provision as amended is as follows:

"ARTICLE I

The name of the corporation is Hercules Offshore Marine Services Corporation "

ARTICLE 3

The number of shares of the corporation outstanding at the time of such adoption was 2; and the number of shares entitled to vote thereon was 2.

ARTICLE 4

The holders of all the shares outstanding and entitled to vote on said amendment have signed a consent in writing pursuant to Article 9.10 of the Act adopting said amendment and any written notice required by Article 9.10 of the Act has been given

Dated October 37th, 1993.

HERCULES REAL ESTATE CORPORATION

Name: Thomas/J. Seward. II

Title: President

f:\men\704-11\Art-And_HRE

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Article 4.04 of the Texas
Business Corporation Act (the "Act"); the undersigned corporation
adopts the following Articles of Amendment to its Amendment Incorporation:

Secretary of State of Texas

ARTICLE 1

JAN 0 7 1994

The name of the corporation is Hercules Off (The Corporation) Services Corporation:

ARTICLE 2

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on [] (A. a) . 1993: The shareholders of the corporation deemed it to be in the best interest of the corporation to change the name of the corporation from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation.

The amendment alters or changes Article I of the amended Articles of Incorporation and the full text of such provision as amended is as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

ARTICLE 3

The number of shares of the corporation outstanding at the time of such adoption was 2; and the number of shares entitled to vote thereon was 2.

ARTICLE 4

The holders of all the shares outstanding and entitled to vote on said amendment have signed a consent in writing pursuant to Article 9.10 of the Act adopting said amendment and any written notice required by Article 9.10 of the Act has been given.

Dated <u>Not 21</u>, 1993.

HERCULES OFFSHORE MARINE SERVICES CORPORATION

Name: Thomas J. Seward, II.

Title: President

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CORPORATE RESOLUTION

We, the undersigned, hereby certify that we are the Directors of Hercules Marine Services Corporation, a corporation duly organised and existing under the laws of the State of Texas (the "Corporation").

We further certify that pursuant to powers contained in the Texas Business Corporation Act, all the Directors of the Corporation have unanimously consented to the following resolutions which were adopted on March 17, 1998:

RESOLVED, that the Board of Directors of Hercules Marine Services Corporation has determined that the Corporation should be placed in Chapter 7 Bankruptcy proceedings and, accordingly, directs that Thomas J Seward III is hereby authorised to execute on behalf of the Corporation any and all documents necessary to cause to have prepared and filed a Chapter 7 Bankruptcy proceeding on behalf of Hercules Marine Services Corporation and further to appear as a representative of the Corporation in connection with any public or private meetings with any creditors, attorneys or trustees to represent the interests of the Corporation.

We further certify that these resolutions are within the power of the Board of Directors to pass as provided in the Articles of Incorporation and Bylaws of the Corporation.

Executed this 17th day of March, 1998.

HERCULES MARINE SERVICES CORPORATION

Christian Liow Hoon Ing, Director

Razman Ariffin, Director

BRUCE THOMPSON

1818 Fuerte Street Failbrook, CA 92028 Phone/Fax: (760) 728-5623

February 18, 1998

Board Members Hercules Marine Services Corporation C/o Suite 500 11011 Richmond Avenue Houston, Texas 77042

RE: Resignation from Board of Directors

Dear Sirs,

I write to inform you of my resignation from my position as Director and Chairman of the Board of Directors of Hercules Marine Services Corporation, effective immediately.

Thank you.

Yours faithfully,

Bruce Thompson

Bone Roups

February 19, 1998

Board Members
Hercules Marine Services Corporation
c/o Suite 500
11011 Richmond Avenue
Houston, TX 77042

RE: Resignation from Board of Directors

Dear Sirs:

I write to inform you of my resignation from my position as Assistant Secretary of Hercules Marine Services Corporation, effective immediately.

Thank you.

Sincerely,

Sue Manuel

HERCULES MARINE SERVICES CORPORATION

MINUTES OF THE BOARD OF DIRECTORS MEETING OF HERCULES MARINE SERVICES CORPORATION HELD AT THE RITZ CARLTON HOTEL 1919 BRIAR OAKS LANE, HOUSTON, TEXAS 77027 ON TUESDAY, DECEMBER 30, 1997 AT 11:30 A.M.

Present Brace Ti

Bruce Thompson Christian Liow

 $\mathcal{P}_{i}^{(i)}$

Razman Ariffin

(was available by telephone and signs these minutes consenting to the actions taken and resolutions passed)

1

2

3

Chairman Director Director

By Invitation

Thomas J. Seward II
Thomas E. Hord
Azman Abbas
M.A. (Tony) Nunes
Shahril Ridzuan
Abdul Rahman Ahmad
Salehuddin Hashim
Kenneth Tischler

Former Director Former Director (representing Trenergy) Attorney/Secretary of the Meeting Special Asst. to Salehuddin Hashim (representing Trenergy)

NOTICE OF MEETING

Read

The notice convening the meeting.

QUORUM

Noted and

The Secretary of the meeting confirmed that a quorum

Recorded was present.

MINUTES OF MEETING

Read and Confirmed Minutes of the previous meeting held on August 1,

1997, in Houston were approved as presented.

OTHER MATTERS

Discussed and Resolved The following matters were proposed, seconded, discussed by the Members and resolved:

BE IT RESOLVED THAT:

1. Resignation of Directors

The Corporation be and is hereby authorized to accept the resignation of the following directors, with effect from the date of this meeting:

Thomas J. Seward II Thomas E. Hord

MAH/960531/152325_1.WPD

2. Exercise of Option to Purchase Vessels

It was reported that on December 23, 1997, Thomas Hord and Hercules Capital Corporation ("HCC") each paid \$14,291, or a total of \$28,582.00, to the Corporation and exercised, with effect from December 30, 1997, the option granted to them to purchase the Corporation's service vessels DOLPHIN, BLUE FIN and ANGLER. The option to purchase these vessels is set forth in a letter agreement among Thomas Seward, Thomas Hord, HCC and Adway International dated June 16, 1993, and also in that certain agreement dated September 1, 1993 by and between Hercules Offshore Corporation, Thomas Hord and HCC. Pursuant to the terms of such Agreements, the option price paid by Thomas Hord and HCC, was the agreed net asset book value of the vessels. The Board noted that any and all necessary Bills of Sale and title documents to transfer the said vessels to Thomas Hord and HCC have been executed by the authorized officers of the Corporation.

3. These minutes may be executed in two or more counterparts, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

ADJOURNMENT .	Meeting adjourned at 11:50 A	∆.M.
	Bruce Thompson	Director
	Christian Liow	Director
	Razman Ariffin	Director

2. Exercise of Option to Parchase Vessell

It was reported that on December 23, 1997. Thomas Hard and Harcules Capital Corporation ("HCC") each paid \$14,291, or a torst of \$28.587.00, to the Corporation and exercised, with effect from December 30, 1997, the option granted to them to purchase the Corporation's service vascels DOLPHIN, BLUE PIN and ANOLER. The option to purchase these vessels is set forth in a letter agreement among Thomas Seward. Thomas Hord. HCC and Adway International detail from 16, 1993, and also in that certain agreement dated September 1, 1993 by and between Herculos Offshore Corporation, Thomas Hord and HCC. Patauant to the tested of such Agrosments, the option price paid by Thomas Hord and HCC, was the agreed net exact book value of the vessels. The Board noted that any and all necessary Bills of Seic and eithe documents to transfer the said vessels in Thomas flord and fICC have been accounted by the supported officers of the Corporation.

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ADJUUUNNENT

Meeting adjourned at 11:50 A.M.

Bruce Thompsus

Dissetor

Christian Liow

Director

Rusman Ariffla

Director

HERCULES MARINE SERVICES CORPORATION

MINUTES OF THE BOARD OF DIRECTORS MEETING OF HERCULES MARINE SERVICES CORPORATION HELD AT THE RITZ CARLTON HOTEL. 1919 BRIAR OAKS LANE, HOUSTON, TEXAS 77027 ON FRIDAY, AUGUST 1, 1997 AT 11:00 A.M.

Present
Bruce Thompson
Thomas J. Seward, II
Thomas E. Hord
Razman Ariffin

Chairman
Director/President
Director/Vice President Operations
Director

By Invitation
Azman Abbas
M.A. (Tony) Nunes
Robert H. Millis

(representing Trenergy)
Attorney/Secretary of the Meeting
Secretary/Treasurer and Chief Financial Officer

NOTICE OF MEETING	1	<u>Read</u>	The notice convening the meeting.
QUORUM	2	Noted and Recorded	The Secretary of the meeting confirmed that a quorum was present.
MINUTES OF MEETING	3	Read and Confirmed	Minutes of the previous meeting held on April 18, 1997, in Houston were approved as presented.
OTHER MATTERS	4	<u>Discussed</u>	Issues regarding Freeport yard. The shareholders have asked the Board to investigate and advise on the future of the Freeport facility.

They also request information on how to proceed with the Casale case,

The Board requested Tony Nunes, on behalf of Griggs & Harrison to prepare a full report, for presentation to the shareholder meeting in Malaysia in September, on possible alternatives for the shareholders to pursue. The Board also requested Griggs & Harrison to give a report on the status of the Casales litigation and possible avenues on how best to settle or dispose of this case.

ADJOURNMENT

Meeting adjourned at 11:20 p.m.

MAH/960531/143295_1.wpd

Bruce Thempson

Chairman

M. A. (Tony) Nunes

Secretary

MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

February 2, 1996

A special meeting of the Board of Directors of Hercules Offshore Corporation (the "Corporation") was called by Bruce Thompson, Chairman, and held at the Ritz Carlton, Houston, Texas, on February 2, 1996. The meeting commenced at 4:00 p.m.

The following were present:

Board Members:

Bruce Thompson, Chairman

Thomas J. Seward, II

Thomas E. Hord Razman Ariffin

Chairman Thompson called the meeting to order, noted that a quorum was present, stated the meeting's purpose and the meeting proceeded as follows pursuant to the attached Agenda:

1. Secretary

M. A. (Tony) Nunes was unanimously elected as Secretary of the meeting.

2. Ratification of Prior Actions

RESOLVED THAT the minutes of the last meeting of the Board of Directors held on November 6, 1995 be and are hereby approved.

3. Resolutions and Actions

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following matters were discussed, actions taken and resolutions passed:

A. Financial Statements

The Corporation's financial statements for the period ending December 31, 1995 were presented and discussed.

B. Commencement of action against Bob Casale

Tom Seward reported that the problems caused by Mr. Casale in Freeport continue and, upon a motion being properly proposed and seconded,

IT WAS RESOLVED, THAT the Corporation be and is hereby authorized to instruct Bell & Murphy to file legal proceedings against Mr. Casale seeking an injunction and damages.

The next meeting of the Board of Directors shall take place in Houston on April 4, 1996.

There being no further business to be brought before the Board, the meeting was adjourned at 4:15 p.m.

Bruce Thompson

HMSD-8D.296

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES MARINE SERVICES CORPORATION IN LIEU OF AN ANNUAL MEETING

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Marine Services Corporation (the "Corporation"), hereby signs this instrument, in lieu of holding an annual meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder:

ELECTION OF DIRECTORS

WHEREAS, sole shareholder, upon careful consideration, deems it to be in the best interest of the Corporation to elect the following persons to the Board of Directors of the Corporation to serve until the expiration of their terms or until their successors shall be duly elected and are qualified:

Thomas J. Seward
Thomas E. Hord
Bruce Thompson
Razman Dato' Ariffin
Christian Liow

RESOLVED, that the above persons be, and they hereby are, appointed as members of the Board of Directors of the Corporation to serve until the expiration of their terms or until their successors shall be duly elected and qualified; and

FURTHER RESOLVED, that the Board of Directors of the Corporation be, and it hereby is, authorized and directed to take such actions as are necessary and reasonable to carry out the purpose for which the Corporation was organized; and

FURTHER RESOLVED, that the sole shareholder hereby ratifies and confirms all actions taken by the previous members of the Board of Directors on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledges that all actions taken by

the Board of Directors on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, owning 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 6th day of November, 1995.

ADWAY INTERNATIONAL LIMITED

Name: Salehuddin Hashim

Title: Authorized Signatory

man\704-00\SH-HM\$C.95A

HERCULES MARINE SERVICES CORPORATION

Board of Directors Meeting Agenda Houston, Texas February 3, 1995 3:00 p.m.

- A. Introduction of invited guests
- B. Approval of minutes of special meeting of the board of directors held on November
 6, 1995
- C. Finance
 - a. Financial Statements

Balance sheet as of December 31, 1995

Income statements for the month ended and FYTD December 31, 1995

b. Cash Reconciliation and Cash Projection

Statement of cash flows for the period from October 1, 1995 to December 31, 1995

Schedule of financial data as of January 31, 1996

Cash projection as of January 31, 1996

- D. Operations
- E. Other Business
 - a. Casales legal action
- F. Adjournment

MINUTES OF THE ANNUAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

November 6, 1995

The annual meeting of the Board of Directors of Hercules Marine Services Corporation (the "Corporation") was called and held at 11011 Richmond Avenue, Suite 500, Houston, Texas, on November 6, 1995. The meeting convened at 10:30 a.m.

The following were present:

Board Members: Thomas J. Seward, II

Thomas Hord Christian Liow Razman Ariffin

By Invitation: Robert H. Millis M.A. (Tony) Nunes

Christian Liow acted as Chairman and called the meeting to order, noted that a quorum was present, stated the meeting's purpose and the meeting proceeded as follows pursuant to the attached Agenda:

RESOLUTIONS

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following discussions ensued and actions and resolutions were taken, approved and unanimously adopted:

A. <u>Introductions\Secretary</u>

Chairman Liow introduced all invited guests. The Board of Directors unanimously appointed M. A. (Tony) Nunes as Secretary of the meeting.

B. <u>Ratification of Prior Meeting</u>

RESOLVED THAT the minutes of the meeting of the Board of Directors of the Corporation held on July 27, 1994 in Houston and the Unanimous Written Consent of the Board of Directors dated as of April 28, 1995 be and are hereby ratified and approved.

C. Election of Officers and Directors

RESOLVED, THAT the following be and are hereby elected as officers of the Corporation for the coming year to serve until their successors are appointed and duly elected:

Thomas J. Seward, II

Thomas E. Hord

Robert H. Millis

- President and CEO

- Vice President

- Treasurer, Chief Financial

Officer and Secretary - Assistant Secretary

Sue Manuel

D. Financial

- (i) The financial statements, supporting schedules and statement of cash flows for the fiscal year ending September 30, 1995 and a schedule of financial data and cash projections as of November 1, 1995, all of which as set forth in the agenda to the meeting, were presented and discussed in detail.
- (ii) The Fiscal Year 1996 Budget was presented by Bob Millis and after discussion IT WAS RESOLVED THAT the 1996 Budget be and is HEREBY APPROVED and ADOPTED, as presented. It was noted that the Budget assumed that the problem with Bob Casale had been resolved as of 10/1/95 and that the Corporation was once more receiving barge cleaning work from Dixie Carriers. Neither of these events has A copy of the Budget is attached to these occurred. minutes.

E. Operations

Tom Seward reported that the problems caused by Mr. Casale in Freeport continue. Mr. Casale's false accusations and rumor spreading about environmental hazards at the Corporation's plant in Freeport have caused the Corporation substantial loses because Dixie Carriers refuses to give the Corporation any business due to Mr. Casale's reports.

Tom Seward presented to the meeting a copy of a letter written by the Corporation's legal counsel, Bell & Murphy, to Mr. Casale on September 28, 1995 advising him to cease making false allegations or face a lawsuit. The letter was discussed at length and, upon a motion being properly proposed and seconded,

> IT WAS RESOLVED, THAT Tom Seward should visit once more with Dixie Carriers and if they still would not give the Corporation business, the Corporation should instruct

Bell & Murphy to file legal proceedings against Mr. Casale seeking an injunction and damages.

There being no other discussion, the meeting was adjourned at 11:00 a.m.

Dated: November 6, 1995

Christian Liow

Chairman

M. A. (Tony) Nunes

Secretar

HMSC-AN.MIN

HERCULES MARINE SERVICES CORPORATION Board of Directors Annual Meeting Agenda Houston, Texas November 6, 1995 11:00 a.m.

- A. Introduction of invited guests
- Approval of minutes of special meeting of the board of directors held on July 27, 1994
- C. Election of officers and directors
- D. Finance
 - a. Financial Statements

Balance sheet and income statement, FYE September 30, 1995

Income statements for the month ended September 30, 1995

b. Cash Reconciliation and Cash Projection

Statement of cash flows for the period from October 1, 1994 to September 30, 1995

Schedule of financial data as of November 1, 1995

Cash projection as of November 1, 1995

c. Other

Fiscal 1996 Budget (Assuming Casales problem resolved as of October 1, 1995, which did not occur).

- E. Operations
 - a. Proposed Casales legal action:

Restraining order/s; litigation

Certified letter and attachments, of September 28, 1995 from Beil & Murphy, HMSC counsel, to Mr. Bob Casales

F. Other Business

- a. Attached hereto are the agenda for a meeting scheduled to be held on November 22, 1994 and the backup documentation. The meeting was not held.
- G. Adjournment

Hercules Harine Services Corporation Comparative Income Statement December, 1995 (Unaudited),

Current Honth

Piscal Year-to-Date (Ends September 30, 1996)

	Catter nonen			faura achierant sal 1990)											
	Actual	Budget	Difference	Actual	Budget	Difference									
Harine Revenue	68,692	68,692 128,000 (59,308) 262,926		482,870	(219,944)										
Operating Expenses:															
Barge Cleaning/Repair Operations	66,333	88,320	(21,987)	250,702	333,180	(82,478)									
General & Administrative	36,582	29,500	7,082	95,629 ·	88,500	7,129									
Depreciation	15,519	15,519	0	46,345	46,345	0									
	110,434	133,339	(14,905)	392,676	468,025	(75,349)									
Operating Income (Loss)	{49,742} {5,339} {44,403} {129,750} 9,321 8,000 1,321 27,376 {59,063} {13,339} {45,724} {157,126}	(49,742) (5,339) (44,403) (129,750) 14,	(49,742) (5,339) (44,403) (129,750) 14,8	(49,742) (5,339) (44,403) (129,750) 14,8	(49,742) (5,339) (44,403) (129,750) 14,8	(49,742) (5,339) (44,403) (129,750)	(49,742)	(49,742) (5,339) (44,403) (129,750)	[49,742] {5,339} {44,403} {129,750} 14,84	(49,742) (5,339) (44,403) (129,750)	(49,742) (5,339) (44,403) (129,750) 14,845	,339) (44,403) (129,750) 14,84	(129,750) 14,8	14,845	(144,595)
Interest Het Income (Loss) Before Taxes		8,000			24,000	3,376									
		(13,339)			(9,155)	(147,971)									
Estimated Provision For Income Taxes	0	0	0	0	0	0									
Net Income (Loss)	(59,063)	(13,339)	(45,723)	(157,126)	(9,155)	(147,971)									
	**************	#51F1##################################	***********	=12856555cfftstsc		######################################									
Het Income	(59,063)	(13,339)	(45,723)	(157,126)	(9,155)	(147,971)									
Add Back: Interest	9,321	8,000	1,321	27,376	24,000	3,376									
Depreciation	15,519	15,519	1,711	46,345	46,345	0									
Estimated Income Tax	0	0	0	0	.0,5.5	Ŏ									
Earnings Before Depr., Interest and Taxes	[34,223]	10,181	(44,402)	(83,405)	61,190	(144,595)									
•	************	**********	***********	*************		*************									

Note: HMSC budget prepared in October, 1995.

HERCULES MARINE SERVICES CORPORATION Statement of Cash Flows (Unaudited) For the Period From Oct 1, 1995 to Dec 31, 1995

	Y-T-D Dec	MONTH DEC
Cash flows from operating activities :		
Cash received from customers	236,702	72,135
Cash paid to wenders and employees	(248,817)	(85,978)
Net cash from operating activities	(12,243)	(13,905)
Cash flows used in investing activities:		
Capital expenditures	0	. 0
Net cash used in investing activities	0	0
Cash flows from financing activities:		
Advances from affiliate	12,826	13,607
Advances from - HCC	0	Q
Not cash from financing activities	12,826	13,607
Net increase (decrease) in cash at end of period	583	(298)
Reconciliation of met income to met cash from		
operating activities: Net income (loss)	(157,126)	(59,063)
Adjustments to reconcile net income to net cash used	1131,1201	100,000
in operating activities:		
Depreciation	46,345	15,519
Increase in accounts receivable	83,471	23,287
Decrease in prepaid expenses	2,870	(1,527)
Decrease in MP to Jamison Equip.	(14,869)	14,958)
Increase in accounts payable	(9,397)	361
Increase in accrued liabilities	36,463	12,474
Net cash from operating activities	(12,243)	(13,905)

Hercules Marine Services Corporation Balance Sheet (Unaudited) As of 12/31/95

ASSETS

Current Assets		
Cash in Bank Accounts Receivable Prepaid Expenses	\$	8,827 102,892 1,732
Total Current Assets	\$	113,451
Fixed Assets Accumulated Depreciation	\$	1,236,605 (382,799)
Total Fixed Assets	\$	853,806
Other Assets	\$	1
Total Assets	\$ ===	967,258
LIABILITIES &	EQUITY	
C rent Liabilities		
Notes Payable - Jamison Equip. NP - Hercules Offshore Corp. NP - Hercules Capital Corp. NP - Hercules Rig Corp. Accrued Liabilities Vouchers Payable	\$	101,261 799,502 32,500 451,541 191,009 121,970
Total Current Liabilities	\$	1,697,783
Total Liabilities	\$	1,697,783
Stockholder's Equity	\$	(730,525)
Total Liabilities & Equity	\$	967,258

SCHEDULE OF FINANCIAL DATA AS OF JANUARY 31, 1996

HERCULES MARINE SERVICES CORPORATION

TRADE ACCTS. REC	EIVABLE	JANUARY 195	4,221
		FEBRUARY 195	639
•		MARCH '95	6,484
		APRIL 195	600
		MAY 195	211
		JUNE '95	145
		JULY '95	3,690
• •		SEPTEMBER '95	6,965
		OCTOBER '95	1,890
	•	NOVEMBER '95	33,668
		DECEMBER '95	28,926
••		JANUARY '96 (EST. HTD)	100,000
		TOTAL TRADE A/R	187,440
		TOTAL TRADE A/R	10/,170
	SOUTHWEST BANK FREEPORT OPERA	OF TEXAS OPERATING ACCOUNT TING ACCOUNT	101 1,000
•			*************
		TOTAL CASH	1,101
			============
TRADE PAYABLES	እና በዮ .	JANUARY 31, 1996	108,955
ADVANCES DUE TO:	HERCULES CAP	ITAL (TJS)	32,500
•	HERCULES OFF	SHORE CORP.	799,502
	HERCULES RIG	CORP.	451,541
		•	
			1,283,543
			***=*=====

Hercules Marine Services Corporation Cash Projection As of 1/31/96

\$ 000's

	Remaining JAN	Peb	MAR	APR	МАЧ
Beginning Cash Balance	1	1	(22)	(32)	(17)
Collection Of A/R	0	67	100	125	125
Payments: Accounts Payable Payrolls & Taxes USL&H Premiums Medical Claims Immediate Capital Expenditures	0 0 0 0 0	30 50 5 5 0	50 50 5 5 0	50 50 5 5 0	50 50 5 5 0
Increase (Decrease) In Cash	0	(23)	(10)	15	15
Ending Cash Balance	1	(22)	(32)	(17)	(2)

Does not reflect repayment of intercompany debt.

HERCULES MARINE SERVICES CORPORATION Revenue Comparison

	Actual <u>December 1995</u>	Estimated January 1996		
Cleaning Mechanical/Repair Other Revenue	\$13,738 34,537 20,417	\$ 55,731 23,706 _73,558		
Total Revenue	\$68,692	\$152,995		

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WRITTEN CONSENT

OF THE SOLE SHAREHOLDER

OF HERCULES MARINE SERVICES CORPORATION

APRIL 28, 1995

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Marine Services Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

APPROVAL OF ELECTION OF DIRECTOR TO FILL VACANCY

WHEREAS, pursuant to the Corporation's by-laws and in order to fill the vacancies on the Board of Directors created by the resignations of Messrs. Sidek and Hashim, the remaining directors of the Corporation unanimously appointed Mr. Christian Liow and Mr. Razman Dato' Ariffin, both citizens of Malaysia, to serve as members of the Board of Directors, effective April 28, 1995, to serve in office for the remainder of the uncompleted terms of Messrs. Sidek and Hashim and until their successors are elected and qualified; and

WHEREAS, the Board of Directors has requested the shareholder's formal approval of the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin to serve as members of the Board of Directors; and

WHEREAS, the sole shareholder of the Corporation, upon careful consideration, deems it to be in the best interest of the Corporation to approve the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin as members of the Board of Directors to serve in office for the remainder of the uncompleted terms of Mr. Sidek and Hashim and until their successors are elected and qualified; therefor be it

RESOLVED, that the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin as members of the Board of Directors to serve in office for the remainder of the uncompleted terms of Messrs. Sidek and Hashim and until their successors are elected and qualified be, and it hereby is, approved and ratified.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when the sole shareholder has signed this Written Consent, this document shall be effective as of April 28, 1995.

ADWAY INTERNATIONAL LTD. sole shareholder

D...

Name:

Salehuddin Hashim

Title: Director

f:\man\704-00\HHSC-SH.RAZ

MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

July 27, 1994

A special meeting of the Board of Directors of Hercules Marine Services Corporation (the "Corporation") was called by Thomas Seward, Chairman, and held at 11011 Richmond Avenue, Suite 500, Houston, Texas, on July 27, 1994. The meeting convened at 1:30 p.m. on July 27.

The following were present:

Board Members: Thomas J. Seward, II

Thomas Hord Barbara Mitchell

By Invitation: Zakir Sidek

Robert H. Millis

Sue Manuel
Javis Boudreaux
Bill Hawryluk
Alan Davenport
Wayne Boudreaux
M.A.(Tony) Nunes

Chairman Seward called the meeting to order, noted that a quorum was present, stated the meeting's purpose and the meeting proceeded as follows pursuant to the attached Agenda:

SECRETARY

The board of directors unanimously appointed M.A. (Tony) Nunes as Secretary of the meeting.

RESOLUTIONS

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following discussions ensued and actions and resolutions were taken, approved and unanimously adopted:

RATIFICATION OF PRIOR MEETING

1. RESOLVED THAT the minutes of the meeting of the Board of Directors of the Corporation held on June 7, 1994 in Kuala Lumpur be and are hereby ratified and approved.

ENVIRONMENTAL

2. Mr. Mack E. Skinner of Pilko & Associates gave the members an environmental report on the Corporation's Freeport Facility. Pilko had been hired by the Corporation to study the facility and its operations. Mr. Skinner reported that generally the site and operations conducted there were clean and safe with all the necessary procedures and safety precautions in place. He noted that, from a safety perspective, the Corporation had never had an accident at the facility. He reported that Pilko was preparing, as requested by Hercules Management in May of 1994, Spill Prevention and Confined Space Entry reports. The Board requested Mr. Skinner to advise his associates at Pilko that the reports were to be completed and distributed within three weeks. Mr. Skinner agreed to do so.

FINANCIAL

- 3. The financial statements for the period ending June 30, 1994 and supporting schedules set forth in the agenda to the meeting were reviewed and discussed.
- 4. Tom Seward reported that Hercules Capital Corporation ("HCC") had advanced the Corporation \$90,000 on a short term basis to fund certain operational and capital expenses. After discussion, it was

RESOLVED THAT the short term loan of \$90,000 from HCC be and is hereby ratified and approved with interest being paid no less frequently than at least once per year, at a rate equal to Nations Bank of Texas prime rate as it changes from time to time and upon such terms as set forth in the draft other Promissory Note attached hereto and marked "Note Exhibit 1" and FURTHER THAT all actions documents signed and by Corporation's officers or directors, or any of them, with regard to such loan from HCC prior to the date of the meeting be and are hereby ratified, adopted and approved.

5. Tom Seward further requested that, in order to meet the Corporation's short term operating capital needs, the Corporation had established a line of credit with Hercules Rig Corporation ("HRC"). After discussion, it was

RESOLVED THAT a short term working line of credit from HRC be and is hereby ratified and approved and the Corporation is hereby authorized to borrow such funds as it needs for its operations from HRC from time to time at an interest rate of NationsBank of Texas prime rate with such line of credit being upon

such other terms as may be set forth in the draft Promissory Note attached hereto and marked "Note Exhibit 2", and FURTHER THAT all actions taken and documents signed by the Corporation's officers or directors, or any of them, with regard to such line of credit prior to the date of this meeting be and are hereby ratified, adopted and approved.

BUSINESS DEVELOPMENT

6. Tom Seward reported that the Corporation was still in negotiations with Allwaste Container ("Allwaste") for the possible sale to Allwaste of all of the Corporation's barge cleaning operations for a mutually agreeable price. The negotiations are being conducted, on the Corporation's behalf, by Wayne Boudreaux, a consultant to the Corporation. The negotiations were still at a very preliminary stage and Mr. Seward advised that he would give a further status report at the next Board Meeting. It was, therefore,

RESOLVED THAT Mr. Seward be and is hereby authorized to continue negotiations with Allwaste and FURTHER THAT Mr. Boudreaux be asked to continue representing the Corporation's interest in that regard, with any proposal and sale agreement being subject to final Board approval.

INSURANCE REPORT

7. Les Eckert from Aberdeen Insurance Services, Inc. gave a presentation on the Corporation's insurance policies, and premiums thereon, for all of its operations.

There being no other discussion, the meeting was adjourned at 4:00 p.m.

Date: July 27, 1994

Thomas J. Seward II

Chairman

M. A. (Topy) Nunes

Secretary

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES MARINE SERVICES CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Marine Services Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

WHEREAS, pursuant to the attached letter, Barbara Mitchell has resigned as a member of the Board of Directors of the Corporation, effective January 4, 1995; and

WHEREAS, the sole shareholder of the Corporation has deemed it to be in the best interest of the Corporation to accept the resignation of Barbara Mitchell as a member of the Board of Directors and to appoint Bruce Thompson, a citizen of the United States of America, to the Board of Directors, effective January 4, 1995; therefore be it

RESOLVED, that the resignation of Barbara Mitchell as a member of the Board of Directors of the Corporation be, and it hereby is, accepted with effect from January 4, 1995; and

FURTHER RESOLVED, that Bruce Thompson, a citizen of the United States of America, be, and he hereby is, appointed to serve as a member of the Board of Directors, effective January 4, 1995, so that with the election of the new director, the present directors of the Corporation are as follows: Thomas J. Seward, Thomas E. Hord, Salehuddin Hashim, and Bruce Thompson; and

FURTHER RESOLVED, that the sole shareholder hereby ratifies and confirm all actions previously taken by the Board of Directors on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledges that all actions taken by those persons as members of the board of Directors on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when the sole shareholder has signed this Written Consent, this document shall be effective as of January 4, 1995.

ADWAY INTERNATIONAL LTD. sole shareholder

By:

Name: Salehuddin Hashim

Title: Authorized Signatory

Crcules Marine Services Corporation Balance Sheet (Unaudited) As of 09/30/95

ASSETS

Current Assets		
Cash in Bank Accounts Receivable Prepaid Expenses	\$	8,244 186,362 4,603
Total Current Assets	\$	199,209
Fixed Assets Accumulated Depreciation	\$	1,236,604 (336,454)
Total Fixed Assets	\$	900,150
Other Assets	\$	1
Total Assets	\$	1,099,360
LTABILITI	ES & EQUITY	
rrent Liabilities	•	
Notes Payable - Jamison Equip. NP - Hercules Offshore Corp. NP - Hercules Capital Corp. NP - Hercules Rig Corp. Accrued Liabilities Vouchers Payable	\$	116,131 766,337 32,500 451,541 154,546 131,366
Total Current Liabilities	\$	1,652,421
Total Liabilities	\$	1,652,421
Stockholder's Equity	\$	(553,061)
Total Liabilities & Equity	\$	1,099,360

Hercules Marine Services Corporation Comparative Income Statement September, 1995 (Unaudited)

Current Honth

Piscal Year-to-Date
(Ends September 30, 1995)

	edition touch			Igua achtemer 30, 1333			
	Actual	Budget	Dlfference	Actual	Budget	Difference	
Marine Revenue	114,935	150,000	(35,065)	1,442,270	1,514,500	(72,230)	
Operating Expenses:				•			
Barge Cleaning/Repair Operations	113,694	108,060	5,634	1,074,097	1,146,020	(71,923)	
General & Administrative	32,610	26,000	6,610	340,370	308,600	31,770	
Depreciation	15,260	15,260	. 0	174,603	174,603	·····	
	161,564	149,320	12,244	1,589,070	1,629,223	(40,153)	
Operating Income (Loss)	{46,629}	680	(47,309)	{146,800}	(114,723)	(32,077)	
Interest	8,819	5,000	3,819	97,289	68,500	28,789	
Net Income (Loss) Before Taxes	(55,448)	(4,320)	(51,120)	(244,089)	(183,223)	(60,866)	
Estimated Provision For Income Taxes	0	0	0	0	0	0	
Het Income (Loss)	(55,448)	(4,320)	(51,127)	(244,089)	(183,223)	(60,866)	
	***********			************************************			
Net Income	(55,448)	(4,320)	(51,127)	(244,089)	(183,223)	(60,866)	
Add Back: Interest	8,819	5,000	3,819	97,289	68,500	28,789	
Depreciation	15,260	15,260	Ö	174,603	174,603	0	
Estimated Income Tax	0	0	0	0	. 0	0	
Earnings Before Depr., Interest and Taxes	(31,369)	15,941	(47,308)	27,803	59,880	(32,077)	
:	************	***********	***********	# # # # # # # # # # # # # # # # # # # #		*************	

Note: HMSC budget prepared in November, 1994, commencing with that month. October, 1994 actual results are used as budget amounts for that month.

HERCULES MARINE SERVICES CORPORATION Statement of Cash Flows (Unaudited) For the Period From Oct 1, 1994 to Sep 30, 1995

	Y-T-D Sep	Month Sep
Cash flows from operating activities:		
Cash received from customers	712,313	50,490
Cash paid to wendors and employees	(873,300)	(88,923)
Net cash from operating activities	(160,967)	(38,433)
Cash flows used in investing activities:		
Capital expenditures	(69,876)	2,990
Net cash used in investing activities	(69,876)	2,990
Cash flows from financing activities:		
Advances from affiliate	260,182	40,791
Advances from - HCC	(27,500)	0
Not cash from financing activities	232,682	40,791
Net increase (decrease) in cash at end of period	1,819	5,348
Reconciliation of net income to net cash from		
operating activities:	4044 0001	475 4541
Net income (loss)	(244,089)	(55,451)
Adjustments to reconcile net income to net cash used		
in operating activities:	474 600	** ***
Depreciation	174,603	15,260
Increase in accounts receivable	(102,124)	(4,354)
Decrease in prepaid expenses	[4,602]	(792)
Decrease in NP to Jamison Equip.	(57,519)	0
Increase in accounts payable	19,765	{4,514}
Increase in accrued liabilities	52,979 —————	11,418
Net cash from operating activities	(160,987)	(38,433)

SCHEDULE OF FINANCIAL DATA AS OF NOVEMBER 1, 1995

HERCULES MARINE SERVICES CORPORATION

TRADE ACCTS. RECEIVABLE FEBRUARY '95 MARCH '95 APRIL '95 MAY '95 JUNE '95 JULY '95 AUGUST '95	4,221 639 6,818 600 5,609 8,524 4,156 1,017 46,949
FEBRUARY '95 MARCH '95 APRIL '95 MAY '95 JUNE '95 JULY '95	6,818 600 5,609 8,524 4,156 1,017
APRIL '95 MAY '95 JUNE '95 JULY '95	5,609 8,524 4,156 1,017
MAY 195 JUNE 195 JULY 195	5,609 8,524 4,156 1,017
JUNE '95 JULY '95	8,524 4,156 1,017
JULY '95	8,524 4,156 1,017
·	1,017
AUGUST '95	1,017
SEPTEMBER 195	10111
OCTOBER 195 (EST.)	125,000
NOVEMBER '95 (EST. MTD)	5,000
TOTAL TRADE A/R	208,533
	52222222
TOTAL CASH SOUTHWEST BANK OF TEXAS OPERATING ACCOUNT FREEPORT OPERATING ACCOUNT TOTAL CASH	2,000
•	
TRADE PAYABLES AS OF NOVEMBER 1, 1995	125,809
	=======
ADVANCES DUE TO: HERCULES CAPITAL (TJS)	32,500
HERCULES OFFSHORE CORP.	766,337
HERCULES RIG CORP.	451,541
1	,250,378

Hercules Marine Services Corporation Cash Projection As of 11/1/95

\$ 000's

	Remaining NO V	DEC	JAN	FEB	MAR
Beginning Cash Balance	2	(29)	(14)	26	66
Collection Of A/R	54	125	150	150	150
Payments: Accounts Payable Payrolls & Taxes USL&H Premiums Medical Claims Immediate Capital Expenditures	35 40 5 5 0	50 50 5 5 0	50 50 5 5 0	50 50 5 5 0	50 50 5 5 0
Increase (Decrease) In Cash	(31)	15	40	40	40
Ending Cash Balance	(29)	(14)	26 ======	66	106

Does not reflect repayment of intercompany debt.

NMSC-PY SEP, 1996 BUDGET PREPARED BY LARRY RALLINGER-PREEPORT, TEXAS

	OCT	MOV	DBC	Jan	PER	MAR	1PR	MAY	JUM	JUL	AUG	SEP	TOTAL
REVENUE:		** -**	••					4		** ***			444 454
BARGE CLEANING	70,000	63,000	63,000	60,800	60,000	\$5,000	67,000	67,008	65,000	65,000	65,000	30,000	800,000
BARGE MECHANICAL	109,470	90,000	62,000	45,000	45,000	35,000	35,000	35,0 p 0	35,000	35,000	35,000	35,000	596,870
DOCK SERVICE	12,000		_										12,00(
BOAT REPAIR	5,000	5,000	3,000	3,000	10,000	35,000	35,000	35,000	35,000	35,000	35,000	18,000	246,000
TOTAL REVENUE	196,470	158,000	124,000	100,000	115,000	135,000	137,000	137,000	135,000	135,000	135,800	135,000	1,654,870
COSTS AND EXPENSES:													
Personnel Cost	76,779	61,620	49,920	38,880	41,400	52,650	53,436	53,430	52,650	52,650	52,650	52,650	638,709
OPERATING COST	59,061	47,400	38,400	34,560	36,800	40,500	41,100	41,100	10,500	40,500	40,500	40,500	500,921
GENERAL & ADMIN EXP	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	354,000
INTEREST EXPENSE	1,000	\$,000	1,000	8,000	8,000	8,000	8,000	8,000	8,000	6,000	8,000	\$,000	96,000
TOTAL COST & REPERSE	173,340	146,520	125,820	110,940	115,700	130,650	132,030	132,030	130,650	130,650	130,650	130,650	1,589,630
HET INCOME:	23,530	11,480	2,180	(2,940)	(700)	4,350	4,970	1,970	4,350	1,350	4,350	4,350	65,240
	*********	82222222	********	# EE E # # # # # # # # # # # # # # # #		********	2282# 5 #\$#5	第2424424 1	22222777022	55523654 4 51	FR63656222	# t E L G Z E E E E	2222222
TTD NET INCOME	23,530	35,010	37,1 9 0	34,250	33,550	37,900	42,470	47,840	52,190	56,540	60,490	65,240	
CTDITAT RIBENDACERS	23,530	11,480 3,500	2,180 3,000	(2,940)	(700)	4,350 2,500	4,970 2,500	4,970 20,000	4,350	4,350 35,900	4,350 \$5,000	4,350	65,240 121,500
CASH FLOW	23,530	7,960	(820) (820)	(2,940)	{700}	1,850	2,470	(15,030)	4,350	(30,650)	(50,650)	4,350	(56,260)
TTD CASH FLOW	23,530	31,510	30,690	27,750	27,050	28,900	31,370	16,340	20,690	(9,960)	(60,610)	(56, 260)	

^{*}EXCLUDING DEPRECIATION

CAPEX

NOVEMBER, 1995		
2 - 3" DIESEL PUM	PS @	\$ 3,500
DECEMBER, 1995		
2 - 2" AIR PUMP	0	\$ 3,000
MARCH, 1996		
WALKER PERMIT	e .	\$ 2,500
APRIL, 1996		, '
WALKER PERMIT	6	\$ 2,500
MAY, 1996		
SCRUBBER	@	\$20,000
JULY, 1996		
HOOKUP OXIDIZER AND SCRUBBER	9	\$35,000
AUGUST, 1996		
HOOKUP OXIDIZER CONCRETE INSIDE (REPLACE & CHEMICA BUY 3 CHEMICAL TA MOVE TWO 73,000	DIKE AL TANKS ANKS	\$28,000 \$10,000 \$ 3,000 \$ 2,000
WATER TREPAIR RAILWAY		\$ 2,000 \$10,000

October, 1995	
Dixle Carrier	\$50,000
BASF	18,000
Other	2,000
November, 1995	
Dixie	45,000
BASF	15,000
Other	3,000
December, 1995	
Dixie	43,000
BASF	15,000
Other	2,000
January, 1996	. •
Dixie	43,000
BASF	15,000
Other	2,000
February, 1996	
Dixie	43,000
BASF	15,000
Other	2,000
March, 1996	
Dixie	46,000
BASF	15,000
Other	4,000
April. 1996	
Dixie	48,000
BASF	16,000
Other	3,000
May. 1996	•
Dixie	48,000
BASF	16,000
Other	3,000
June. 1996	
Dixie	46,000
BASF	15,000
Other	4,000

July. 1996

	46,000 15,000 4,000
	46,000 15,000 4,000
•	55,000 20,000 6,000 6,000 4,000

	#	·-	
	Barges	*	
BASP	6	100%	
National Marine	10	20%	
Hollywood	30	25%	
Ingram Barge Line	20	10%	
Oxy	8		
Dupont	8		
Union Carbide	8		
ACBL	4		
Stolte Nielsen	10	10%	
Canal	10	10%	
Blessey	5		
Other	•		
Dixie	60	50%	

BELL & MURPHY
ATTORNEYS AT LAW
1300 POST DAK BOULEVARD
2014 FLOOR
HOUSTON, TEXAS 77056-3085
1713) 871-6700

WE, BRUCE STANFILL 871-6733 FAX (713) 671-6767

September 28, 1995

Mr. Bob Casale Route 3 135 Snapper Lane Freeport, Texas 77541 VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

Re: Hercules Marine Services Company v. Bob Casale, et al. Our Ref.: 704-00

Dear Mr. Casale:

The law firm of Bell & Murphy has been retained to represent Hercules Marine Services Corporation ("Hercules") in a legal claim against yourself (and those acting in concert with you) for damages and other relief permitted by law as a consequence of your intentional efforts to defame Hercules and to tortiously interfere with its business relationships. Our client's claim arises from the following facts and circumstances:

I. PACTUAL BACKGROUND

As you know, Hercules carries out barge cleaning activities and certain other industrial operations at its Freeport Facility and has been doing so since early 1989.

On the weekend of July 28 - 30, 1995, due to the proximity in the Gulf of Mexico of Hurricane Erin, Hercules suspended most work at the Facility. Only minor welding activities occurred on Saturday, July 29th and no barges were cleaned at all that weekend. Yet, at 4:00 p.m. on Sunday afternoon, July 30, 1995, Hercules' Plant Manager, Mr. Larry Ballinger, was called to the Facility by the Freeport Fire Department. Upon arrival, he was informed that you had called the Freeport Volunteer Fire Department and complained about noise and odor allegedly emanating from the Facility. The Volunteer Fire Department investigated and found neither noise nor odor being generated at or by Hercules. In fact, they found no activities whatsoever being performed at that time. Enclosed is a copy of the report filed by the Fire Department.

This is but the latest event in what appears to be a planned conspiracy organized by yourself that is designed not only to harass our client, but to do it serious injury. As you may recall, this firm previously corresponded with you in October of 1989 with regard to your prior complaints of alleged noise and odor

A PROFESSIONAL CORRERATION

Mr. Bob Casale September 28, 1995 Page 2

which, upon investigation, also did not come from the Facility. At that time, you were warned that you would be held legally responsible in the event that your numerous false allegations against Hercules and your repeated baseless complaints to Dow Chemical and other of Hercules' customers ultimately caused Hercules injury to its good name, business reputation or ongoing business relations.

Since that time, you have continued to ignore those warnings and continued to falsely accuse Hercules of engaging in improper, noisy or noxious activities at its Facility. You have also continued to call Hercules' customers and various regulatory or governmental bodies with your false accusations. Numerous complaints have been made by you -- and on each occasion -- the Freeport or other governmental authorities have investigated and -- without exception -- the authorities found no material violations on Hercules' part. Nevertheless, you persist in publishing your malicious lies with the obvious intent to interfere with Hercules' legitimate use of its property and the equally obvious intent to harm Hercules' business reputation.

II. ACTIONABLE VIOLATIONS OF LAW

Texas law has long protected both existing and prospective business relationships from tortious interference, and that same law permits the recovery of actual and punitive damages incurred by companies such as Hercules when persons such as yourself willfully and intentionally spread lies and take other actions designed to disrupt or otherwise damage their business relations. See e.g., Juliette Fowler Homes, Inc. v. Welch Assoc., Inc., 793 S.W.2d 660, 665 (Tex. 1990); Holloway v. Skinner, 898 S.W.2d 793, 794-95 (Tex. 1995).

In this case, such interference has occurred. For example, in late 1993 -- early 1994, Dow Chemical refused to do further business with Hercules because of your frequent negative complaints. Up until that time, Hercules had been doing an average of \$80,000 in business per month with Dow.

In December 1994, Hercules commenced similar barge cleaning work for Dixie Carriers. This contract with Dixie was worth approximately \$62,000 per month to Hercules. Once again, you embarked on this vicious campaign to smear Hercules' name and made frequent harassing calls to Dow and then to Dixie (when you were informed that Dixie had taken over Dow's barge operations). These latest complaints have again caused Hercules serious economic harm

Mr. Bob Casale September 28, 1995 Page 3

as first Dow, and now Dixie, refuse to do business with Hercules due to your continued harassment.

Because of your wrongful conduct, Hercules has suffered and continues to suffer actual and consequential damages, which at this time, are in excess of \$1 million.

Hercules is entitled to recover all of these damages plus reasonable interest and punitive damages to be awarded in the event that a jury determines that you acted with malice in disparaging Hercules' business' reputation or intentionally interfered with any of its existing or prospective business relationships, in an amount up to two times Hercules' economic damages, or roughly \$2 million. See, e.g., Texas Civil Practice & Remedies Code Ann. §§ 41.003 & 41.008, (Vernon Supp. 1995).

III. DEMAND

In order to avoid additional harm and damages to our client, demand is hereby made on you to immediately cease engaging in this pattern of harassment, defamation and interference with Hercules' business relationships. Specifically, demand is hereby made that you (1) cease and desist from making (or causing to be made) any further false or unfounded complaints against Hercules to any governmental authorities; and (2) that you immediately cease and desist from interfering with Hercules' business relationships, including contacting any of Hercules' known customers, specifically including Dow and Dixie Carriers, with regard to any complaints you have about Hercules' operations at its Facility.

Hercules recognizes and values the freedom of speech we enjoy in this country and welcomes all <u>legitimate</u> inquiries into its business activities. However, Hercules also recognizes — as you should — that the price of such freedom is that it must be exercised in a responsible manner. In short, the freedom of speech you so obviously enjoy does not give you the right to cry "fire" or to otherwise attempt to spread public panic against Hercules' operations by false rumor and innuendo. Here, you have abused your constitutional privilege by falsely crying "fire" against

Schenck v. United States, 249 U.S. 47, 52 (1919) ("The most stringent protection of free speech would not protect a man from falsely shouting fire in a theater and causing panic.")(Oliver Wendell Holmes).

Mr. Bob Casale September 28, 1995 Page 4

Hercules far too many times, when there was not only no "fire", there was not even any smoke. Enough is enough.

This is now a legal matter which can be compromised, settled and resolved immediately <u>if</u> (1) you will cease the activities described above; <u>and</u> <u>if</u> (2) you will pay Hercules the amount of \$250,000, as partial compensation for its actual and consequential damages and attorneys' fees incurred to date.

This settlement offer will remain open for thirty days from the date of this letter, if not sooner accepted. If we do not receive an offer of settlement from you within that time frame, we have been instructed to proceed with a lawsuit. Please be advised that if such a suit is filed, Hercules' claims will not be limited to those discussed in this letter, but will also include all other applicable causes of action and will seek recovery for all actual and punitive damages available at law, as well as all other equitable remedies, including but not necessarily limited to, seeking appropriate injunctive relief sufficient to restrain your actions.

While we welcome a swift reply, please be advised that Hercules is now a represented party in a legal claim against you and that you are hereby requested not to contact Hercules directly, but to direct all future correspondence, phone calls, etc. to the attention of the undersigned only. Please be advised further that we have been instructed not to communicate with you personally in the absence of your legal counsel. Accordingly, we await your attorney's soonest reply.

Very truly yours,

BELL & MURPHY

. Bruce Stanfill

WBS:msm wasumno.co Enclosure

cc: Thomas J. Seward, II
Hercules Offshore Corporation

Larry Ballinger Hercules Marine Services Corporation (NOTE: DATE AND TIMES MAY BE CETAINED FROM RUN SHEET.)

- CONTACTED BY DISPATCH THAT A BOBBY JO CASALE WANTED TO TALK TO SOMEONE ABOUT A "DEADLY CHEMICAL" RELEASE AND LOUD NOISES.
- RETURNED CALL TO MR. CASALE, HE RELATED ABOUT ON GOING PROBLEMS WITE THE RERCULES SITE, THE "PREEPORT WIGGLE", AND THE PROPOSED CONVENTION CENTER.
- ARRAINGED TO MEET MR. CASALE AT SNAPPER LANE AND MARLIN SO HE COULD SHOW ME THE PROBLEMS. UPON ARRIVAL MR. CASALE WAS NOT AT THE AGREED LOCATION. I DID NOT DETECT ANY CHEMICAL RELEASES OR LOUD NOISES IN THE AREA WELLS WAITING FOR MR. CASALES.
- APTER A FEW MINUTES, I DROVE PASS THE HERCULES SITE TO SEE IP MR. CASALE WAS THERE AND TO SEE IF I COULD DETECT ANY PROBLEMS AT HERCULES. NO PROBLEMS WERE DETECTED.
- I DROVE TO MR. CASALES RESIDENCE, HE WAS NOT HOMB. I MADE CONTACT WITH A NEIGHBOR TO SEE IF HE WAS AWARE OF ANY PROBLEMS. HE WAS NOT AWARE OF ANY.
- I WENT TO THE EERCULES SITE AND MADE CONTACT WITH EMPLOYEES IN THE OFFICE. THEY WERE NOT AWARE OF ANY PROBLEMS AND SAID TEAT THERE WAS NO ONE AT THE BARGE CLEANING PACILITY. I DID NOT DETECT ANY CHEMICAL RELEASES OR LOUD NOISES. THERE WAS AN AIR COMPRESSOR RUNNING ON THE SITE.
- MR. CASALE ARRIVED AT THE EFRCULES SITE WITH AMOTHER PERSON. I TALKED TO MR. CASALE ABOUT HIS CONCERNS AND HE ALSO TABKED TO THE DISPATCHERS IN THE OFFICE.
- THE HERCULES SUPERVISOR OVER THE BARGE CLEANING WAS CONTACTED AND WAS IN ROUTE TO THE SITE. HR. CASALE CHOSE NOT TO WAIT ON HIS ARRIVAL.
- AFTER HIS ARRIVAL, WE DISCUSSED DETAILS AS TO WEAT BARGE WAS AT THE FACILITY AND THE WORK ACTIVITIES. THERE WAS NO WORK BEING DONE THAT WEEKEND AT THE BARGE FACILITIES.
- TWO HERCULES SUPERVISORS AND MYSELF WENT TO THE FREEPORT POLICE STATION TO MEET WITH CITY PERSONNEL TO DISCUSS THE CONCERNS OF MR. CASALE.
- MR. CASALE CONTACTED ME LATER TEAT EVENING ABOUT THE EVENTS THAT TOOK PLACE. HE HADE COMMENTS ABOUT "COVER-UPS" AND EURG UP ON ME. I CALLED HIM BACK AN ADVISED HIM THAT I JUST SPENT OVER FOUR HOURS ON HIS BESALF INVESTIGATING HIS PROBLEM AND THAT I WAS NOT APPRECIATIVE OF HIM HANGING UP ON ME.

Jonnie Shoemet

7222-001 FIRE DEPARTMENT 124 z, 4th 7.0. Box 1063 7222-001, TELAS 77541 (409) 233-2111

77.

Fire Report

	The Heales	Day of Nach: Can las
Fourth: Tears:	Date: 7/50/15 10-24:/9/0 10-7:/945	In Service time
10-8: 15/5 10-23: 11/5	10-24: <u>/ 7 - 8</u> 1\47: _ / / 7 - 8	
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UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS

OF HERCULES MARINE SERVICES CORPORATION

APRIL 28, 1995

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Marine Services Corporation (the "Corporation"), 'hereby waive notice of a meeting and sign this instrument, in lieu of holding a special meeting of the Board of Directors, to evidence their consent to the adoption of the following resolutions being taken by the Board of Directors.

ELECTION OF DIRECTORS TO FILL VACANCIES

WHEREAS, the Board of Directors has deemed it to be in the best interest of the Corporation to accept the resignations of Zakir Sidek and Salehuddin Hashim as members of the Board of Directors, with effect from April 28, 1995

WHEREAS, pursuant to the Corporation's by-laws and in order to fill the vacancies on the Board of Directors created by the resignations of Messrs. Sidek and Hashim, the remaining directors of the Corporation unanimously appoint Mr. Christian Liow and Mr. Razman Dato' Ariffin, both citizens of Malaysia, to serve as members of the Board of Directors, effective April 28, 1995, to serve in office for the remainder of the uncompleted terms of Messrs. Sidek and Hashim and until their successors are elected and qualified; therefor be it

RESOLVED, that the resignations of Messrs. Sidek and Hashim be, and they hereby are, accepted and that the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin as members of the Board of Directors to serve in office for the remainder of the uncompleted terms of Messrs. Sidek and Hashim and until their successors are elected and qualified be, and it hereby is, approved and ratified; and

FURTHER RESOLVED, that these resolutions may be signed in one or more counterparts, each of which when read together shall constitute one and the same instrument.

The undersigned, being all the members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of April 28, 1995.

Salehuddin Hashim, Director

Thomas 3/ Seward, Director

Thomas E. Hord, Director

Bruce Thompson, Director

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The undersigned, being all the members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of April 28, 1995.

Salehuddin Hashim, Director

Thomas J. Seward, Director

Thomas E. Hord, Director

Bruce Thompson, Director

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WRITTEN CONSENT

OF THE SOLE SHAREHOLDER

OF HERCULES MARINE SERVICES CORPORATION

APRIL 28, 1995

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Marine Services Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

APPROVAL OF ELECTION OF DIRECTOR TO FILL VACANCY

WHEREAS, pursuant to the Corporation's by-laws and in order to fill the vacancies on the Board of Directors created by the resignations of Messrs. Sidek and Hashim, the remaining directors of the Corporation unanimously appointed Mr. Christian Liow and Mr. Razman Dato' Ariffin, both citizens of Malaysia, to serve as members of the Board of Directors, effective April 28, 1995, to serve in office for the remainder of the uncompleted terms of Messrs. Sidek and Hashim and until their successors are elected and qualified; and

WHEREAS, the Board of Directors has requested the shareholder's formal approval of the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin to serve as members of the Board of Directors; and

WHEREAS, the sole shareholder of the Corporation, upon careful consideration, deems it to be in the best interest of the Corporation to approve the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin as members of the Board of Directors to serve in office for the remainder of the uncompleted terms of Mr. Sidek and Hashim and until their successors are elected and qualified; therefor be it

RESOLVED, that the appointment of Mr. Christian Liow and Mr. Razman Dato' Ariffin as members of the Board of Directors to serve in office for the remainder of the uncompleted terms of Messrs. Sidek and Hashim and until their successors are elected and qualified be, and it hereby is, approved and ratified.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when the sole shareholder has signed this Written Consent, this document shall be effective as of April 28, 1995.

ADWAY INTERNATIONAL LTD.

sole shareholder

By:

Name:

Title: Director

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UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

MARCH 11, 1995

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Marine Services Corporation (the "Corporation"), hereby waive notice of a meeting and sign this instrument, in lieu of holding a special meeting of the Board of Directors, to evidence their consent to the adoption of the following resolutions being taken by the Board of Directors.

Resignation of Director

- 1. RESOLVED THAT the resignation of Zaharuddin Alias as a member of the Board of Directors of the Corporation be, and it hereby is, accepted with effect from March 11, 1995.
- 2. RESOLVED THAT, pursuant to the corporation's by-laws and in order to fill the vacancy on the Board created by Mr. Alias' resignation, the remaining directors, all of whom were present and accounted for, do hereby unanimously appoint Mr. Zakir Sidek, a citizen of Malaysia, to serve as a member of the Board of Directors, effective March 11, 1995, to serve in office for the remainder of the uncompleted term of Mr. Alias and until his successor is elected and qualified. It was further noted that with the election of the new director, the present directors of the Corporation are as follows:

Thomas J. Seward Thomas E. Hord Salehuddin Hashim Bruce Thompson Zakir Sidek

Appointment of Officer

3. RESOLVED THAT, Bruce Thompson be, and he hereby is, appointed to serve as Chairman of the Board until the expiration of his term or until his successor shall be duly elected and qualified.

4. RESOLVED THAT, these resolutions may be signed in one or more counterparts, each of which when read together shall constitute one and the same instrument.

The undersigned, being all of the remaining members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of the 11th day of March, 1995.

Salehuddin Hashim, Director

Thomas J//Seward, Director

Thomas E. Hord. Director

Bruce Thompson, Director

4. RESOLVED THAT, these resolutions may be signed in one or more counterparts, each of which when read together shall constitute one and the same instrument.

The undersigned, being all of the remaining members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of the 11th day of March, 1995.

Salehuddin Hashim, Director

Thomas J. Seward, Director

Thomas E. Hord, Director

Bruce Thompson, Director

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Barbara A. Mitchell 11533 Pine Cone Court Residence: 1-301-423-0712 Fux: 1-709-716-4748

4 January 1995

Mr. Salehuddin Hashim Board of Directors Hercules Offshore Corporation Houston, Texas USA

Dear Saleh,

This letter is to fermalize my resignation from the Roard of Hermiles Offshore Corporation.

I wish you every success in the future of the company.

Sincerely,

Barbara A. Mitchell

HERCULES MARINE SERVICES CORPORATION Board of Directors Annual Meeting Agenda Freeport, Texas November 22, 1994 10:00 a.m.

- A. Introduction of invited guests
- B. Approval of minutes (draft #2) of special meeting of the board of directors held on July 27, 1994
- C. Election of officers and directors
- D. Finance
 - a. Financial Statements

Balance sheet and income statement, FYE September 30, 1994

Balance sheet and income statement for the month ended October 30, 1994

b. Cash Reconciliation and Cash Projection

Statement of cash flows for the period from October 1, 1993 to FYE September 30, 1994

Statement of cash flows for the month of October, 1994

Cash projection as of November 16, 1994

c. Other

Business Plan and Budget for CY 1995

- E. Banking and Insurance
 - D&O Insurance Binder
- F. Operations
 - Review of Pilko Reports by Bell & Murphy
 - Inspection History, Freeport Facility

- G. Personnel
 - Appointment of Co-Managers
- H. Other Business
- I. Adjournment

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES MARINE SERVICES CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Marine Services Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

WHEREAS, pursuant to the attached letter, Barbara Mitchell has resigned as a member of the Board of Directors of the Corporation, effective January 4, 1995; and

WHEREAS, the sole shareholder of the Corporation has deemed it to be in the best interest of the Corporation to accept the resignation of Barbara Mitchell as a member of the Board of Directors and to appoint Bruce Thompson, a citizen of the United States of America, to the Board of Directors, effective January 4, 1995; therefore be it

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RESOLVED, that the resignation of Barbara Mitchell as a member of the Board of Directors of the Corporation be, and it hereby is, accepted with effect from January 4, 1995; and

FURTHER RESOLVED, that Bruce Thompson, a citizen of the United States of America, be, and he hereby is, appointed to serve as a member of the Board of Directors, effective January 4, 1995, so that with the election of the new director, the present directors of the Corporation are as follows: Thomas J. Seward, Thomas E. Hord, Salehuddin Hashim, and Bruce Thompson; and

FURTHER RESOLVED, that the sole shareholder hereby ratifies and confirm all actions previously taken by the Board of Directors on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledges that all actions taken by those persons as members of the board of Directors on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when the sole shareholder has signed this Written Consent, this document shall be effective as of January 4, 1995.

ADWAY INTERNATIONAL LTD. sole shareholder

By:

Name: Salehuddin Hashim Title: Authorized Signatory

f:\man\704-00\HMSC-SH.MIT

Barbara A. Mitchell 11533 Pine Cone Coun Residence: 1-301-423-0712 Pux: 1-709-716-4748

4 January 1995

Mr. Salehuddin Hashim Board of Directors Hercules Offshore Corporation Houston, Texas USA

Dear Saleh,

This letter is to formalize my resignation from the Board of Herrales Offshore Corporation.

I wish you every success in the future of the company.

Sincerely,

Barbara A. Mitchell

MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

July 27, 1994

A special meeting of the Board of Directors of Hercules Marine Services Corporation (the "Corporation") was called by Thomas Seward, Chairman, and held at 11011 Richmond Avenue, Suite 500, Houston, Texas, on July 27, 1994. The meeting convened at 1:30 p.m. on July 27.

The following were present:

Board Members: Thomas J. Seward, II

Thomas Hord Barbara Mitchell

By Invitation: Zakir Sidek

Robert H. Millis

Sue Manuel
Javis Boudreaux
Bill Hawryluk
Alan Davenport
Wayne Boudreaux
M.A. (Tony) Nunes

Chairman Seward called the meeting to order, noted that a quorum was present, stated the meeting's purpose and the meeting proceeded as follows pursuant to the attached Agenda:

SECRETARY

The board of directors unanimously appointed M.A. (Tony) Nunes as Secretary of the meeting.

RESOLUTIONS

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following discussions ensued and actions and resolutions were taken, approved and unanimously adopted:

RATIFICATION OF PRIOR MEETING

1. RESOLVED THAT the minutes of the meeting of the Board of Directors of the Corporation held on June 7, 1994 in Kuala Lumpur be and are hereby ratified and approved.

ENVIRONMENTAL

2. Mr. Mack E. Skinner of Pilko & Associates gave the members an environmental report on the Corporation's Freeport Facility. Pilko had been hired by the Corporation to study the facility and its operations. Mr. Skinner reported that generally the site and operations conducted there were clean and safe with all the necessary procedures and safety precautions in place. He noted that, from a safety perspective, the Corporation had never had an accident at the facility. He reported that Pilko was preparing, as requested by Hercules Management in May of 1994, Spill Prevention and Confined Space Entry reports. The Board requested Mr. Skinner to advise his associates at Pilko that the reports were to be completed and distributed within three weeks. Mr. Skinner agreed to do so.

FINANCIAL

- 3. The financial statements for the period ending June 30, 1994 and supporting schedules set forth in the agenda to the meeting were reviewed and discussed.
- 4. Tom Seward reported that Hercules Capital Corporation ("HCC") had advanced the Corporation \$90,000 on a short term basis to fund certain operational and capital expenses. After discussion, it was

RESOLVED THAT the short term loan of \$90,000 from HCC be and is hereby ratified and approved with interest being paid no less frequently than at least once per year, at a rate equal to Nations Bank of Texas prime rate as it changes from time to time and upon such other terms as set forth in the draft Promissory Note attached hereto and marked "Note Exhibit 1" and FURTHER THAT all actions documents signed and by Corporation's officers or directors, or any of them, with regard to such loan from HCC prior to the date of the meeting be and are hereby ratified, adopted and approved.

5. Tom Seward further requested that, in order to meet the Corporation's short term operating capital needs, the Corporation had established a line of credit with Hercules Rig Corporation ("HRC"). After discussion, it was

RESOLVED THAT a short term working line of credit from HRC be and is hereby ratified and approved and the Corporation is hereby authorized to borrow such funds as it needs for its operations from HRC from time to time at an interest rate of NationsBank of Texas prime rate with such line of credit being upon

such other terms as may be set forth in the draft Promissory Note attached hereto and marked "Note Exhibit 2", and FURTHER THAT all actions taken and documents signed by the Corporation's officers or directors, or any of them, with regard to such line of credit prior to the date of this meeting be and are hereby ratified, adopted and approved.

BUSINESS DEVELOPMENT

6. Tom Seward reported that the Corporation was still in negotiations with Allwaste Container ("Allwaste") for the possible sale to Allwaste of all of the Corporation's barge cleaning operations for a mutually agreeable price. The negotiations are being conducted, on the Corporation's behalf, by Wayne Boudreaux, a consultant to the Corporation. The negotiations were still at a very preliminary stage and Mr. Seward advised that he would give a further status report at the next Board Meeting. It was, therefore,

RESOLVED THAT Mr. Seward be and is hereby authorized to continue negotiations with Allwaste and FURTHER THAT Mr. Boudreaux be asked to continue representing the Corporation's interest in that regard, with any proposal and sale agreement being subject to final Board approval.

INSURANCE REPORT

7. Les Eckert from Aberdeen Insurance Services, Inc. gave a presentation on the Corporation's insurance policies, and premiums thereon, for all of its operations.

There being no other discussion, the meeting was adjourned at 4:00 p.m.

Date: July 27, 1994

Thomas J. Seward II Chairman

M. A. (Topy) Nunes

Secretary

Hercules Marine Services Corporation Directors and Officers

Directors

Zaharuddin Alias Salehuddin Hashim Thomas E. Hord Barbara Mitchell Thomas J. Seward II (Chairman)

Officers

Thomas J. Seward JI - President/Chief Executive Officer Thomas E. Hord - Vice President, Operations Robert Millis - Treasurer Sue Manuel - Secretary

Hercule Marine Services Corporation Balance Sheet (Unaudited) As of 09/30/94

ASSETS

nt Assets		• •
in Bank nts Receivable	\$	6,425 84,239
otal Current Assets	\$	90,664
Assets ulated Depreciation	\$	941,731 (151,851)
otal Fixed Assets	\$.	789,880
: Assets	\$	(3)
otal Assets	\$	880,541
LIABILITIES &	EQUITY	
ent Liabilities		
Hercules Offshore Corp. Hercules Capital Corp. Hercules Rig Corp. Hed Liabilities Hercules Payable	\$	624,339 60,000 333,357 101,567 111,602
Fotal Current Liabilities	\$	1,230,865
Total Liabilities	\$	1,230,865
kholder's Equity	\$	(350,324)
Total Liabilities & Equity	\$ ===	880,541

Hercules Marine Services Corporation Comparative Income Statement September, 1994 (Unaudited)

	C	urrent Month		Year-to-Bate#				
	Actual	Budget	Difference	Actual	Budget	Difference		
Marine Revenue	90,759	200,000	(109,241)	763, 932	2,290,000	(1,526,068)		
Operating Expenses:								
Barge Cleaning/Repair Operations	104,390	145,000	(40,610)	1,014,073	1,676,250	(662, 177)		
General & Administrative	45, 994	27,750	18,244	372,517	333,000	39,517		
Depreciation	18,291	3,000	15,291	149, 212	36,000	113,212		
· •	168,675	175,750	(7,075)	1,535,802	2,045,250	(509,448)		
Operating Income (Loss)	(77, 916)	24,250	(102, 168)	(771,870)	244,750	(1,016,620)		
Interest	7,244	0	7,244	41,893	0	41,893		
Net Income (Loss) Before Taxes	(85,160)	24,250	(109,410)	(813, 763)	244,750	(1,058,513)		
'mated Provision For Income Taxes	0	8,000	(8,000)	0	83,215	(83,215)		
Net Income (Loss)	(85, 160)	16,250	(101,410)	(813,763)	161,535	(975 ₁ 298)		
	*************	************				************		
Net Income	(85, 160)	16,250	(101,410)	(813,763)	161,53\$	(975,298)		
Add Back: Interest	7,244	0	7,244	41,893	0	41,893		
Depreciation	18,291	3,008	15,291	149,212	36,000	113,212		
Estimated Income Tax	0	8,000	(8,000)	0	83,215	(83, 215)		
Earnings Before Depr., Interest and Taxes	(59,625)	27,249	(86,874)	(622,658)	280,750	(903,408)		
	************	**********	***********		************	***********		

^{*} Fiscal year ends September 30. These amounts represent results since October 1, 1993.

Houles Marine Services Corportion Balance Sheet (Unaudited) As of 10/31/94

ASSETS

Current Assets		•
Cash in Bank Accounts Receivable Prepaid Expenses	\$	19,742 97,234 58,892
Total Current Assets	\$	175,868
Fixed Assets Accumulated Depreciation	\$	942,966 (163,965)
Total Fixed Assets	\$	779,001
Other Assets	\$	2
Total Assets	\$	954,871
LIABILITIES	& EQUITY	
rrent Liabilities		٠.
NP - Hercules Offshore Corp. NP - Hercules Capital Corp. NP - Hercules Rig Corp. Accrued Liabilities Vouchers Payable	\$	649,132 60,000 410,857 112,139 113,919
Total Current Liabilities	\$	1,346,047
Total Liabilities	\$	1,346,047
Stockholder's Equity	\$	(391,176)
Total Liabilities & Equity	\$	954,871

Hercules Marine Services Corporation Comparative Income Statement October, 1994 (Unaudited)

Current Month Actual Budget Difference 200,000 (89,432) 110,568 Marine Revenue Operating Expenses: 110,125 145,000 Barge Cleaning/Repair Operations (34,875)27,750 22,611 (5,139) General & Administrative 3,000 Depreciation 12,114 9,114 144,850 175,750 (30,900) (34,282) 24,250 Operating Income (Loss) (58,532) Interest 6,572 24,250 (40,854) (65,104) Net Income (Loss) Before Taxes 8,000 (8,000) __imated Provision For Income Taxes (40,854) 16,250 (57,104) Net Income (Loss) Net Income (40,854) 16,250 (57, 104)Add Back: Interest 6,572 6,572 3,000 12,114 9,114 Depreciation 8,000 Estimated Income Tax (8,000) (22,168) 27,250 Earnings Before Depr., Interest and Taxes

Note: HMSC budget prepared August, 1993. The budget has been revised beginning November, 1994 to reflect current organization structure and operating procedures.

HERCILES MARINE SERVICES CORPORATION Statement of Cash Flows (Unaudited) For the Period From October 1, 1993 to September 30, 1994

	Y-T-D September	HONTH September
Cash flows from operating activities:		
Cash received from customers	441,078	22,110
Cash paid to vendors and employees	(931,217)	(104,061)
Net cash from operating activities	(490,139)	(81,951)
Cash flows used in investing activities:	•	
Capital expenditures	(423,154)	(6,592)
Net cash used in ingesting activities	(423, 154)	(6,592)
Cash flows from financing activities:		
Advances from affiliate - HDC	842,219	89,518
Advances from affiliate - HDC	75,000	0
Net cash from financing activities	917,219	88,519
Net increase (decrease) in cash at end of period	3,926	(24)
Reconciliation of net income to net cash from		
operating activities:		
Net income (loss)	(813,031)	(85,164)
Adjustments to reconcile net income to net cash used in operating activities:	-	·
Depreciation	149,212	18,291
Increase in accounts receivable	(30,250)	•
Increase in accounts payable	102,361	(24,870)
Increase in accrued liabilities	101,567	11,244
Net cash from operating activities	(490,141)	(81,952)

HERCULES MARINE SERVICES CORPORATION Statement of Cash Flows (Unaudited) For the Period From October 1, 1994 to October 31, 1994

	Y-T-D October
Cash flows from operating activities:	
Cash received from customers	43,223
Cash paid to vendors and employees	(130,964)
Net cash from operating activities	(87,741)
Cash flows used in investing activities:	
Capital expenditures	(1,236)
Net cash used in investing activities	(1,236)
Cash flows from financing activities:	
Advances from affiliate	117,293
Advances from - HCC	(15,000)
Net cash from financing activities	102,293
Net increase (decrease) in cash at end of period	13,316
Reconciliation of net income to net cash from	
operating activities:	
Net income (loss)	(40,854)
Adjustments to reconcile net income to net cash used	
in operating activities:	
Depreciation	12,111
Increase im accounts receivable	(12,996)
Decrease in prepaid expenses	(58,892)
Increase in accounts payable	2,318
Increase in accrued liabilities	10,572
Net cash from operating activities	(87,741)

Hercules Marine Services Corporation Cash Projection As Of 11/16/94

\$ 000's

	Remaining NOV	DEC	JAN	FEB	MAR
Beginning Cash Balance	13	11	(10)	(20)	(30)
Collection Of A/R	38	59	87	86	92
Payments: Accounts Payable . Payrolls & Taxes USL&H Premiums Medical Claims Capital Expenditures Property/Casualty Ins. Prems.	25 15 0 0 0 0	35 25 5 5 0 10	35 30 5 5 12 10	35 35 7 5 4 10	35 35 7 5 2 10
Increase (Decrease) In Cash	(2)	(21)	(10)	(10)	(2)
Ending Cash Balance	11	(10)	(20)	(30)	(32)

Does not reflect funding available from HRC or repayment of intercompany debt.

HERCULES MARINE SERVICES CORPORATION BUSINESS PLAN FOR 1994 - 1995

Prepared by:

Larry Ballinger and Jimmy Jackson, Co-Managers

Edits by:

Steve Barwick and Robert Millis

Date:

November 17, 1994

The Hercules Marine Services Corporation ("HMSC") facility is located on the Intracoastal Waterway'on approximately forty acres in Freeport, Texas, adjacent to the U.S. Gulf of Mexico. The facility is in close proximity to a number of major chemical refineries.

HMSC is engaged in three separate but inter-related business segments: barge cleaning, barge mechanical repair and fabrication and boat repair. The barge cleaning segment typically services barges which have recently delivered their cargo. The Company also collects additional revenues from loading and unloading boats and, in the past, has rented dock space and sold residue product recovered from incoming barges.

As the information for this report was assembled, the HMSC managers consulted with a number of barge operators and chemical companies located in the area regarding their expectations of doing business with HMSC. The Company has a favorable competitive position since the next closest barge cleaning facility to Freeport is located in Houston, which is approximately twelve hours traveling time via water from Freeport.

Dow Chemical, whose Texas plant is located approximately one mile from the Hercules facility, is in the process of finishing an upgrading of that facility. When finished, Dow will increase their current barge activity from 2300 barges a year to approximately 3300 barges a year. Dow has recently sold its barge fleet to Dixie Carriers and TPT, another carrier. These two companies now handle all of Dow's Freeport barge traffic. Hercules

expects to receive a great deal of business from these two customers, as they continue to service the Dow plant.

Formosa Chemical has a multi-billion dollar plant under construction near HMSC's location, which will be in full operation in 1995. Shintech has just purchased a nearby dock facility in order to transport their products by barges. BASF has just signed an agreement with Phillips, whereby BASF will use some of Phillips' storage tanks and dock in order to handle more barges. The BASF plant is also located in Freeport. HMSC expects all of these customers to provide significant business in the future (see attached Exhibit "C").

HMSC has two competitors in the Freeport area. Swiftships mainly repairs large work boats and some barges. The other competitor, Texas Barge and Boat, has no fabrication shop and moving barges around inside their slip is a problem because of shallow water. There are no barge cleaning facilities in the Freeport area. As stated previously, the closest barge cleaning facility is in Houston. It is costly for a Freeport area customer to have to take a barge to Houston for cleaning which gives a certain advantage to the Hercules facility.

In October, 1994 HMSC took steps to reduce personnel costs and other expenses. Messrs. Larry Ballinger and Jim Jackson were named marine services co-managers. The former manager and the former superintendent were terminated. The foreman was moved from a salaried position to an hourly working leadman position. This reduction leaves three salaried employees and eleven hourly employees currently on HMSC's payroll. There are

no current plans to add salaried employees. Some of the personnel costs pertaining to the two managers will now be charged to customer jobs. HMSC will begin billing a portion of the office clerk's salary to Hercules Offshore Corporation (HOC) based upon the amount of clerical assistance she provides to HOC. These steps will save HMSC over \$16,000 per month commencing in the month of November. 1994. Effective immediately, all non-billable payroll hours must be approved in advance, by management.

Immediate steps have been taken to ensure a continuous operation and a profit on a consistent basis. HMSC recently revised its barge cleaning procedure in order to reduce the amount of VOC (fumes) released into the atmosphere. This will allow HMSC to clean more barges, even at times when wind direction varies. The volume of barges cleaned has already begun to increase significantly at the HMSC facility and is expected to increase henceforth.

There are certain capital projects which are needed in 1995. The marineway requires renovation in order to accommodate boats. HMSC has missed out on a large amount boat repair business in the past because the facility is not equipped to handle "V" bottom boats. Based on consultation with an engineer, management estimates that the marineway can be redesigned to accommodate "V" bottom boats for \$12,000. By doing this, HMSC expects to generate \$25,000 to \$55,000 a month in new business. Other capital expenditure requirements necessary to obtain presently forecasted revenues are shown in the attached Exhibit "B".

HMSC is subject to various regulations and environmental laws. The Company must comply with federal laws and the rules and regulations of numerous entities, including the U.S. Environment Protection Agency, the Texas Natural Resource Conservation Commission, the United States Coast Guard, as well as local governments. Management believes the Company is in compliance in all material aspects with known environmental laws and regulations. This has been independently verified on many occasions by respected and reliable environmental experts and consultants. Regulatory compliance will continue to be monitored periodically and as conditions dictate. A regulatory environmental review will be undertaken on a quarterly basis commencing with the quarter ending December 31. 1994 by an independent, experienced and respected (by regulatory authorities) environmental consulting firm.

Current operating procedures at the facility are not believed to require any new permits until November, 1996. Additional permitting will be required at that time in order to meet new requirements and the permitting is expected to be approved when requested.

In early 1994, the Company engaged Dr. H. M. Walker, an environmental consultant, to review operating procedures at the Freeport property in connection with securing an air permit. In his report dated March 17, 1994 and subsequent list of recommendations dated March 21, 1994 Dr. Walker made several observations and recommendations, which are discussed below.

In early 1994 a thermal oxidizer was purchased, even though its use will not be required until new regulations which prohibit VOC emissions become effective in November 1996. Final installation of the oxidizer, as well as installation of a scrubber unit, will take place in 1996. These projects are included in the list of future capital expenditure requirements shown in Exhibit "B". At that time, a benefit from the oxidizer will be additional revenues from charges to customers for the use of the oxidizer. Those additional revenues and associated operating costs are included in the forecast at Exhibit "E", beginning in November, 1996.

HMSC is permitted to perform a defined amount of sandblasting at the Freeport facility. In his reports, Dr. Walker recommended that the Company change from its use of silica sand to black grit in the sandblasting operations. Sandblasting with black grit does not emit the amount of dust into the air as does the use of silica sand. The Company now uses black grit in its sandblasting operations and is well within regulatory limits.

A new boiler was installed in 1994 at the Freeport facility to replace the old oil-burning boiler. The old boiler had a restriction on its use, as noted by Dr. Walker, because of the amount of smoke it produced in operation. The new boiler eliminates this problem. The new boiler does not significantly alter the facility's operation and, hence, required no additional permitting.

Exhibit "A" attached is HMSC's monthly P & L and cash flow forecast for the remainder of 1994 and all of 1995. Exhibit "B" lists capital expenditure requirements for

that same period as well as for future periods. Exhibit "C" lists potential HMSC customers with estimated revenues from each. Exhibit "D" lists the number of barges operated by potential customers in HMSC's customer base along with management's expected market share from each. Exhibit "E" is a forecast for years 1996 through 1998 based upon "best case" and "worst case" expectations of the Company's share of market during those years. Exhibit "F" summarizes capital expenditure projects already completed in 1994, those currently underway and those expected in 1995 and 1996.

EXHIBIT "A"

P/L AND CASH FLOW FORECAST

	94 NOV	DEC	95 Jan	FEB	MAR	APR	MAY	NUL	1nr	AUG	SEP	007	YOM	DEC	1995 Total	,
Barge Cleaning	25,000	32,000	40,000	45,000	60,000	70,000	72,000	72,000	72,000	75,000	72,000	70,000	70,000	70,000	788,000	47.6
Brage Mechanical/Repair	60,000	40,000	25,000	25,000	25,000	30,000	30,000	30,000	30,000	30,000	30,000	25,000	25,000	25,000	330,000	19.9
Miscellaneous Boat Repair	2,000	2,000 12,000	2,000 25,000	2,000 35,000	2,000 35,000	2,000 35,000	2,000 50,000	2,000 50,000	2,000 52,000	2,000 52,000	3,000 45,000	3,000 45,000	3,000 45,000	3,000 40,000	28,000 509,000	1.7 30.6
TOTAL REVENUE	87,000	86,000	92,000	107,000	122,000	137,000	154,000	154,000	158,000	159,000	150,000	143,000	143,000	138,000	1,655,000	100.0
Personnel	31,320	30,960	33,120	38,520	43,920	49,320	58,800	55,440	56,160	57,240	54,000	51,480	51,480	49,680	599,160	36.2
GROSS MARGIN	55,680	55,040	58,680	68,480	78,080	87,680	95,200	98,560	99,840	101,760	96,000	91,520	91,520	88,320	1,055,840	63.8
Operating Expense	45,000	45,000	45,000	45,000	45,000	45,000	49,200	52,360	53,040	54,060	54,060	46,000	45,000	45,000	578,720	35.0
G k A Allocated Interest Expense	26,000 6,000	26,000 6,000	26,000 6,000	28,000 6,000	28,000 6,000	25,000 6,000	26,090 6,000	26,000 5,000	20,000 5,000	28,900 5,000	26,000 5,000	28,000 4,000	28,000 4,000	28,000 4,000	312,000 62,000	18.9 3.7
NET INCOME #	(21,320)	(21,960)	(10,120)	(0,520)	1,080	10,680	14,000	15,200	15,800	16,700	10,940	15,520	16,520	13,520	103,120	C 2
Less:																\bigcirc
Capital Expenditures	+	12,000	4,000	2,000	8,500	0	0	0	0	0	0	0	0	0	14,500	
CASHFLOW	(21,320)	(33,960)	(22,120)	(10,520)	17,4201	10,680	14,000	15,200	15,800	16,700	-10,940	15,520	16,520	13,320	88,620	

Excluding depreciation

NOTE: No income tax expense is shown, due to MMSC's tax loss carry-forward which can be used to offset most of the taxable income during this projection period.

EXHIBIT "B"

CAPITAL EXPENDITURES

(FROM 1995 CASH FLOW)

DATE		PROJECT	EST. AMOUNT
DECEMBER 1994		REFURBISH THE MARINEWAY	\$12,000
JANUARY 1995		RAIL UPGRADE	4,000
FEBRUARY 1995	٠	RAIL UPGRADE	2,000
MARCH 1995		CONCRETE SLAB	8,500
TOTAL			\$26,500

NOTE: These expenditures are necessary to attain revenues forecasted through December 1995.

(FROM 1996 CASH FLOW)

DATE	PROJECT	EST. AMOUNT
LATE 1996	INSTALL & HOOKUP OXIDIZER	\$60,000
LATE 1996	INSTALL & HOOKUP SCRUBBER	50,000
LATE 1996	MISC. CLEANING EQUIPMENT	15,000
LATE 1996	REPLACE STORAGE TANKS	6,000
LATE 1996	CONSULTANT FOR FINAL PERMIT	5,000
TGTAL		\$136,000

NOTE: These expenditures are necessary to attain revenues forecasted for November 1996 and later.

EXHIBIT "C"

CUSTOMER LIST AND BREAKDOWN OF ESTIMATED REVENUE

	YEARLY	*
BARGE CLEANING:		
T.P.T.	197,000 `	25.0
BASE	78,800	10.0
Dixie Carriers	157,600	20.0
National Marine	78,800	10.0
Hollywood Marine	78,800	10.0
Ingram Barge Lines	63,000	8.0
Scott Chotin	78,800	10.0
Other	55,200	7.0
	788,000	100.0
BARGE MECHANICAL/REPAIR:		
Scott Chopin	16,500	5.0
Conoco, Inc.	16,500	5.0
T.P.T.	49,500	15.0
BASF	49,500	15.0
Dixie Carriers	49,500	15.0
lvory Productions	16,500	5.0
Hercules Offshore	49,500	15.0
Western Towing	33,000	10.0
Ingram Barge Lines	16,500	5.0
E. I. DuPont	16,500	5.0
Other	16,500	5.0
	330,000	100.0
BOAT REPAIR:		
Shrimp Boat	102,200	20.0
Hornbeck	50,900	10.0
Captain Elliott	50,900	10.0
Oil Companies	152,500	30.0
Boat Companies	152,500	30.0
	509,000	100.0

NOTE: Dow Chemical recently sold their barge fleet to Dixie Carriers and T.P.T. HMSC expects to obtain significant amount of revenue from these two carriers.

EXHIBIT "D"

OF BARGES IN MARKET SHARE

	/199519981998												
		OF MARKET			OF MARKET		-	/OF MARKET		BARGES			
COMPANY	PER WEEK	LOW	HIGH	PER WEEK	LOW	HIGH	PER WEEK	LOW	HIGH	PER WEEK	LOW	HIGH	
National Marine	В	28.0	38.5	 B	28.0	38.5	8	28.0	38.5	8	29.0	38.5	
Hollywood Marine	80	28.0	38.5	80	28.0	38.5	68	28.0	38.5	80	20.0	38.5	
BASE	6	72.0	99.0	6	72.0	99.0	6	72.0	99.0	6	72.0	99.0	
Ingram	40	12.0	16.5	40	12.0	14.5	40	12.0	16.5	40	12.0	16.5	
Scott-Chotin	6	16.0	22.0	6	16.0	22.0	6	16.0	22.0	6	16.0	22.0	
Conoco	3	26.4	26.3	3	26.4	36.3	3	26.4	36.3	3	26.4	36.3	
TPT	4	56.0	77.0	6	56.0	77.0	6	56.0	77.0	6	56.0	77.0	
Dixie Carriers	40	48.0	66.0	57	48.0	66.0	57	48.0	66.0	57	48.0	66.0	
Other	60	20.0	27.5	60	20.0	27.5	60	20.0	27.5	60	20.0	27.5	
Total	247	34.0	46.8	266	34.0	46.8	266	34.0	46.8	266	34.0	46.8	

EXHIBIT 'E'

PREVIOUS YEARS FORECAST OF FUTURE YEARS COMPARATIVE ACTUALS** /-----1995-----//-------1996----//-------1997-----//-1989 1990 LOW HIGH LOW HIGH LOW HIGH LOW TOTAL TOTAL HIGH Barge Cleaning 709,000 867,000 708.000 1,062,000 1,262,000 1,693,000 1,324,000 1,986,000 Brage Mechanical/Repair 297,000 363,000 214,000 322,000 298,000 447,000 313,000 470,000 Miscellaneous 25,000 30,000 29,000 43,000 29,000 43,000 31,000 46,000 Boat Repair 458,000 405,000 607,000 430,000 645,000 560,000 451,000 677,000 TOTAL REVENUE 1,489,000- 1,820,000 1,356,000 2,034,000 2,019,000 3,028,000 2,119,000 3,179,000 2,544,000 2,873,000 Personnel 539,000 659,000 490,000 736,000 730,000 1,096,000 767,000 1,151,000 1.171.000 1.331,000 GROSS MARGIN 950,000 1,161,000 866.000 1,298,000 1,289,000 1,932,000 1,352,000 2,028,000 1,373,000 1,542,000 Operating Expense 521,000 637,000 475,000 712,000 707.000 1,060,000 742.000 1.113.000 797,000 850,000 G & A Allocated 312,000 312,000 327,000 327,000 343,000 343,000 361,000 361,000 228,000 236,000 Interest Expense 62,000 62,000 48,000 48,000 36,000 36,000 24,000 24,000 119,000 133,000 NET INCOME # 55,000 150,000 16,000 211,000 203,000 493,000 225,000 530,000 229,000 323,000 Less: Capital Expenditures 14,500 14,500 136,000 136,000 0 CASHFLOW 40,500 135,500 (120,000) 75,000 203,000 493,000 225,000 530,000

^{*} Excluding depreciation

^{##}The profitable years of 1989 & 1990 are shown for comparative purposes only.

HERCULES MARINE SERVICES CORPORATION

EXHIBIT "F"

STATEMENT REGARDING CAPITAL PROJECTS

1 expenditure projects, forecasted, currently underway, or recently

	ESTIMATED COST		ADDITIONAL COSTS TO COMPLETE	
TION UNITS TO				
: TO STORAGE	4,079	4,121	0	COMPLETE
'UMPS TO TRANSFER	18,512	17,062	o	COMPLETE
SUNDS STORAGE TANKS	38,700	38,700	0	COMPLETE
O PRODUCE STEAM AND SLEAN BARGES.	17,784	19,413	0	COMPLETE
IR - BURNS FUMES	68,576	68,816	0	COMPLETE
TO HELP TO EXPEDITE CAPITAL PROJECTS	8,860	28,039	0	COMPLETE
FOR THE PURPOSE OF ON PERMIT' THRU TEXAS FATION COMM. (TNRCC).	11,568	10,477	0	COMPLETE
IFY/REPAIR MARINEWAY PUSH BOSTS.	15,000	22,592	o	COMPLETE
IFY/REPAIR MARINEWAY BOTTOM BOATS.	12,000	; · o	12,000	DECEMBER
RADE MARINEWAY RAIL.	6,000	. 0	6,000	FEBRUARY
L-IN CONCRETE SLAB	8,500	o	8,500	MARCH
TALL/HOOKUP OXIDIZER.	60,000	0	60,000	LATE 1996
TALL/HOOKUP SCRUBBER.	50,000	0	50,000	LATE 1996
RADE MISC, CLEANING	15,000	o	15,000	LATE 1996
LACE PRODUCT STORAGE	6,000	o	6,000	LATE 1996
T TO FINALIZE OBTAINING	5,000	0	5,000	LATE 1996
Encend I TURES	345,579	209,220	162,500	_

der No.: 94LWE911 Policy No.: " T.B.A.

CONFIRMATION OF COVERAGE

This document is intended for use as evidence that the insurance, as described herein, has been effected and shall be subject to all terms and conditions of policy(ies) which will be issued and that, in the event of any inconsistency herewith, the terms and provisions of such policy(ies) shall prevail. The insurance evidence herein cannot be canceled without premium charge unless returned prior to the commencing date. In accordance with authorization granted through representatives of Insured indicated below, and in consideration of the stipulation and premium shown, Insurers do bind themselves, each for his own part and not one for the other as follows: In favor of the Insured whose name and address is shown, for the limits or amounts specified hereon, and for the term stipulated, according to the following:

NAMED INSURED:

HERCULES OFFSHORE CORPORATION

HERCULES MARINE SERVICES CORPORATION

ADDRESS:

11011 Richmond Avenue #500.

Houston, Texas 77042

POLICY PERIOD:

Twelve Months from:

18 November 1994

12:01 a.m. LST

DESCRIPTION OF OPERATIONS: -

Drilling & Workover Operations;

Barge Cleaning Facility

TYPE OF COVERAGE:

Directors and Officers and Company Reimbursement Policy

CONDITIONS:

National Union's Policy Form 47353 (8/88)

ENDORSEMENTS

Broad Form Nuclear Exclusion, Captive Insurance Company Exclusion, Commissions Exclusion, Texas Amendatory Endorsements, Co-Insurance Clause deleted, Exclude claims brought by or on behalf of Adway International Limited, Exclude claims brought against, brought by or on behalf of Trenergy (Malaysia) Berhad, Prior Acts Exclusion effective upon inception of the policy. Professional E and O Exclusion, Marital Estate Extension, Global Extension, Absolute SEC Exclusion, Presumptive

Indemnification Endorsement (can be removed upon receipt/review of the bylaws).

AGGREGATE LIMIT OF

LIABILITY (Inclusive of

\$ 3,000,000

"Defense Costs")

RETENTION EACH LOSS

(Indemnible claims)

\$ 150,000

S.I.R.:

Рег Оспителсе

PREMIUM:

C.) \$32,800

NAME & ADDRESS OF

National Union Fire Insurance Company of Pittsburg, PA

INSURER:

Issued at: Date:

Houston, Texas

17 November 1994

Judith L. Searan, Vice President Aberdeen Insurance Services, Inc. 5251 Westhelmer, Suite 800

Houston, Texas 77056

COVERAGE IS BOUND SUBJECT TO RECEIPT AND APPROVAL OF THE FOLLOWING WITHIN 30 DAYS FROM 1.) Original AIG For Profit mainform application for Hercules Offshore Corporation and Hercules Marine Services INCEPTION: Corporation 2.) Letter from the treasurer addressed to AIG attesting that the financial information submitted on Hercules Marine Services Corporation is true and correct. 3) Bylaws for Hercules Offshore Corporation and Hercules Marine Services Corporation 4.) Articles of Incorporation for Hercules Offshore Corporation and Hercules Marine Services Corporation 5) Ownership information for Hercules Marine Services Corporation.

BELL & MURPHY
ATTORNEYS AT LAW
1300 POST OAK BOULEVARD
20TH FLOOR
HOUSTON, TEXAS 77056-3095
(713) 871-6700

FAX (713) 871-6767

M. A. (TONY) NUNES 671-6717

November 18, 1994

Mr. Zakir Sidek Turnaround Managers Inc. (M) SDN BHD Wisma ISP, 29A Jalan Taman U Thant 55000 Kuala Lumpur, Malaysia HAND DELIVERY

Re: Hercules Offshore Corporation
Our Reference: 704-00

Dear Zakir:

I refer to my letter to you dated September 22, 1994 concerning environmental matters at the Hercules Freeport Facility.

We have now reviewed the two Pilko reports referred to in my letter and have researched the various environmental laws and regulations covered in those Pilko reports.

Each of these Pilko reports was prepared in August of 1994. The first is a report, entitled Confined Space Entry Program (the "Pilko Plan"), which addresses procedures and plans required to be implemented under the federal Occupational Safety & Health Act and its regulations ("OSHA"). This Pilko Plan generally complies with OSHA and appears to constitute a sufficient OSHA plan for Hercules' purposes. The Pilko Plan, however, must be followed and implemented. Fines and penalties for violating OSHA requirements are briefly summarized on Exhibit A to this letter. Note that these penalties include criminal penalties.

The second Pilko report addresses the requirement for Hercules to have a Spill Prevention Control and Countermeasure Plan (the "Plan") pursuant to regulations published under the Federal Clean Water Act ("Spill Prevention Regulations"). The Plan required by the Spill Prevention Regulations must, in each case, be certified by a licensed engineer. The Plan contains a certificate by a licensed engineer and the Plan itself appears to comply with the regulations. Naturally, however, we cannot comment on the adequacy of the engineer's certificate given in the Plan. Fines and penalties for violating the Spill Prevention Regulations are summarized on Exhibit B hereto.

There are some other issues arising out of Pilko's Spill Prevention Regulation report which, due to some very recent Coast Guard regulations, might require further review. We are discussing

Mr. Zakir Sidek Turnaround Managers Inc. (M) SDN BHD November 18, 1994 Page 2

these with management and will work with them, to the extent we are needed, in reviewing these matters.

Finally, note that this letter only addresses environmental issues covered in the two Pilko reports. We have not attempted to review all federal and state environmental laws which affect Hercules' operations.

Very truly yours,

BELL & MURPHY

A. (Tony) Nunes

MAN: mao f:\man\704-00\8704-00.252

cc: Thomas J. Seward, II

Hercules Offshore Corporation

EXHIBIT A

PENALTIES FOR VIOLATIONS OF OSHA STANDARDS, AS ESTABLISHED BY THE PERMIT-REQUIRED CONFINED SPACES REGULATION

- (1) Civil penalties for violations of OSHA:
 - (a) \$7,000 fine for any violation of section 654 determined not to be serious.¹ 29 U.S.C.A. § 66(c) (1994);
 - (b) if citation was issued for a violation, employers may be penalized \$7,000 for each day the violation continues. 29 U.S.C.A. § 66(d) (1994); and
 - (c) if the violation is willful², a civil penalty of not more than \$70,000 but not less than \$5,000 may be levied against the employer.

Authority to assess civil penalties resides in the Occupational Safety & Health Commission. 29 U.S.C.A. § 666(j).

- (2) Criminal penalties for employer3 violations of OSHA:
 - (a) where a willful violation causes the death of an employee, a fine of not more than \$10,000 and/or imprisonment for not more than 6 months;
 - (b) conviction after a first conviction may result in a fine of \$20,000 and/or imprisonment of not more than one year;

¹A violation will be considered serious where "a substantial probability that death or serious physical harm could result" from a violation at the place of employment, unless the employer could not discover the violation through exercise of reasonable diligence. 29 U.S.C.A. § 666(k).

²Willful has been defined as "plain indifference" toward the safety requirements of OSHA. <u>Ensign-Bickford Co. v. OSHA Review Comm'n</u>, 717 F.2d 1419, 1422-23 (D.C. Cir. 1983) <u>cert</u>. <u>den'd</u> 466 U.S. 937 (1984).

³Employer is defined as "a person engaged in business affecting commerce who has employees." 29 U.S.C.A. § 652(5).

- (c) Giving advanced notice of inspection may result in a fine of not more than \$1,000 and/or six months imprisonment;
- (d) Knowingly making false statements in any application, record, report, plan or other document may result in a fine of not more than \$10,000 and/or imprisonment of 6 months.

29 U.S.C.A. § 666.

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EXHIBIT B

PENALTIES FOR VIOLATIONS OF SPILL PREVENTION REQUIREMENTS

Violations prior to August 18, 1990.

Section 112.6 of the Spill Regulations, together with section 114.1 entitled "Civil Penalties for Violation of Oil Pollution Prevention Regulations," contains the following penalty provisions for the following violations of section 112 of the Spill Regulations:

For any of the above violations prior to August 18, 1990, a facility operator is liable for civil penalties of \$5,000 for each day a violation continues. Although the regulations only list the above described violations non-compliance is not limited to those violations.

40 C.F.R. § 112.6.

(2) Violations Subsequent to August 18, 1990

On August 18, 1990, the Oil Pollution Act ("OPA") and its amendments to the Clean Water Act went into effect. Violations of the Spill Regulations after August 18, 1990, fall under the enforcement provisions of the Clean Water Act, as amended by OPA. The violations described above under subheading (a) remain in effect. However, since its amendment, the Clean Water Act now

^{4&}quot;Owner or operator" means any person owning or operating an onshore facility or an offshore facility. "Onshore facility" means any facility of any kind located in, on, or under any land within the United States. 40 C.F.R. § 112.2(d) & (e).

provides higher penalty limitations for these violations. Specifically, the following enforcement provisions are provided:

(a) Administrative penalties

(i) Violations

Any owner, operator, or person in charge of any vessel, onshore facility, or offshore facility from which oil or a hazardous substance is discharged in violation of the regulations, or who fails or refuses to comply with any of Spill Regulations to which that owner, operator, or person in charge is subject, may be assessed a class I or class II civil penalty.

(iì) Classes of penalties

(x) Class I

Penalties under this class may not exceed \$10,000 per violation or \$25,000 in the aggregate.

(y) Class II

Penalties under this class may not exceed \$10,000 per day for each day during which the violation continues subject to a maximum aggregate of \$125,000.

(b) Civil penalty action

(i) Discharge, generally

Any facility operator (among others) who is in violation of the regulation's discharge prohibition, shall be subject to a civil penalty of up to \$25,000 per day of violation or up to \$1,000 per barrel of oil or unit of reportable quantity of hazardous substances discharged.

(ii) Failure to remove or comply

Civil penalties may also be assessed against any person who "without sufficient cause" fails to remove or clean up any spill pursuant to any federal or state clean up order. These penalties range from a maximum of \$25,000 per day but is limited to three (3) times the

costs incurred by the Oil Spill Liability Trust Fund⁵ as a result of any such failure.

(iii) Failure to comply with regulations

A civil penalty of up to \$25,000 per day of violation may also be assessed against any person who generally refuses or fails to comply with the Spill Regulations.

(iv) Gross negligence

A discharge in violation of the no-discharge provisions of the regulations caused by the gross negligence or willful misconduct of any person may give rise to a civil penalty of not less than \$100,000 and not more than \$3,000 per barrel of oil or unit of reportable quantity of hazardous substance discharged.

(c) Determination of amount

In determining the amount of any of the above civil penalties, the authorities shall consider a number of factors, including "the seriousness of the violation or violations, the economic benefit to the violator, if any, resulting from the violation, the degree of culpability involved, any other penalty for the same incident, any history of prior violations, the nature, extent, and degree of success of any efforts of the violator to minimize or mitigate the effects of the discharge, the economic impact of the penalty on the violator, and any other matters as justice may require."

33 U.S.C.A. § 1321(b)(6), (7), (8) (1994).

In addition, where a person discharges a pollutant in violation of the Clean Water Act, they may be liable for criminal penalties.

- (d) Criminal penalties include:
 - (i) Fines of not less than \$2,500 nor more than \$25,000 per day per violation and/or one year imprisonment for negligent violation.

⁵The Fund provides for payment of spill cleanup costs where the responsible person does not. 26 U.S.C.A. § 9509 (1994).

- (ii) Fines of not less than \$5,000 nor more than \$50,000 per day per violation and/or three years imprisonment for a knowing violation. 33 U.S.C.A. § 1319(c)(1).
- (iii) Fines of not more than \$250,000 and/or imprisonment not more than 15 years for "knowing endangerment," if committed by an individual and a fine of not more than \$1 million if the polluting entity is an organization. 33 U.S.C.A. § 1319(c).6
- (iv) A fine of not more than \$10,000 and/or two years imprisonment for knowingly made false statements in any record, report, plan or other document.

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⁶"Knowing endangerment" is the knowing placement of a person in imminent danger of death or serious bodily injury and, absent a discharge of a hazardous substance, as described in section (b)(3), such criminal liability will not be assessed. 33 U.S.C.A. § 1321(b)(3).

On Site Inspections and/or Audits of HMSC Barge Cleaning and Repair Facility Since Acquisition by Hercules

<u>Date</u>	Inspected By	<u>Finding</u>
9/19/89	Texas Air Control Board	No deficiency
11/30/90	Bob Casale	No deficiency
12/10/90	Dow Chemical	No deficiency
-1/10/91	Dow Emergency Response Team	No deficiency
2/4/91	Bob Casale	No deficiency
2/28/91	Bob Casale	No deficiency
5/18/91	Intertect, Inc.	No deficiency
5/21/91	Bob Casale	No deficiency
5/22/91	Bob Casale	No deficiency
6/11/91	Bob Casale	No deficiency
10/1/91	Bob Casale	No deficiency
10/3/91	Dow Chemical	No deficiency
10/7/91	Bob Casale	No deficiency
4/92	Dow Chemical	No deficiency
5/6/92	Bob Casale	No deficiency
5/6/92	Freeport Fire Marshall/Chief	No deficiency
7/2/92	Bob Casale	No deficiency
8/2/92	Dow Environmental	No deficiency
3/17/93	Office of Attorney General	No deficiency
6/93	Dow Chemical	No deficiency

<u>Date</u>	Inspected By	<u>Finding</u>
10/20/93	Dupont	No deficiency
5/19/94	Bob Casales	No deficiency
11/4/94	The WCM Group, Inc.	No deficiency

Since inception of the company, there have been no significant deficiencies noted by any regulatory body or governmental authority and no fines have been imposed for any reason.

In addition to the above, the United States Coast Guard inspects every barge requiring a COI (Coast Guard Inspection) and notice is given to them prior to performing hotwork on a barge.



Strength through environmental awareness and customer service

P.O. Drawer O Freeport, Texas 77541 Office (409) 233-6371 Fax. (409) 233-6375

October 21, 1994

As of October 18, 1994, Jimmy Jackson and I have been named Co-Managers of Hercules Marine Services Corporation. Jimmy and I realize the importance of giving the best possible service to all our customers.

We look forward to working with your company and encourage you to visit our Freeport facility. In the meantime, should you have any questions or comments, please do not hesitate to call us at 409/233-6371.

Sincerely,

Larry Ballinger

Hercules Marine Services Corporation

HERCULES MARINE SERVICES CORPORATION Board of Directors Meeting Agenda Houston, Texas July 27, 1994 1:00 p.m.

- A. Introduction of invited guests
- Approval of minutes of special meeting of the board of directors held on June 7, 1994
- C. Finance
 - a. Financial Statements

Balance sheet as of June 30, 1994

Income statements for the month ended and FYTD June 30, 1994

b. Cash Reconciliation and Cash Projection

Statement of cash flows for the period from October 1, 1993 to June 30, 1994 Cash projection as of July 13, 1994

c. Other

Statement Regarding Capital Projects, June 30, 1994

Monthly P&Ls, September 1993 - June 1994

- D. Banking and Insurance
 - Loans due HOC (affiliate)
 - Loans due HCC (TJS)
 - Loans due Adway (parent)
 - Presentation by Aberdeen Insurance Inc. of insurance by category and premium cost - to be held on July 26

E. Operations

- Permitting issues regarding barge cleaning facilities
- Allwaste Container Services purchase of barge cleaning facility status report
- F. Business Development Proposals Pending
- G. Personnel
- H. Corporate
- I. Other Business
- J. Adjournment .

HERCULES MARINE SERVICES CORPRATION

Board of Directors Meeting Kuala Lumpur, Malaysia June 7 1994

A meeting of the Board of Directors of HERCULES MARINE SERVICES CORPORATION (the "Corporation") was called by Thomas Seward, Chairman, and held at Kuala Lumpur, Malaysia.

The following were present:

Board Members:

Thomas Seward, II

Thomas Hord Salehuddin Hashim Barbara Mitchell

Absent with

Apologies

Zaharuddin Alias

By Invitation

Brian Taylor Zakir Sidek

Ng Yi-Ching

Chairman Seward called the meeting to order, noted that a quorum was present and the meeting proceeded as follows pursuant to the attached Agenda:

Secretary

The Board of Directors unaminously appointed Ng Yi-Ching as Secretary of the meeting.

Introduction of invited guests

Brian Taylor, Zakir Sidek and Ng Yi-Ching were introduced and welcomed by the Board.

Approval of minutes of special meeting of the Board of Directors held on April 6, 1994

RESOLVED THAT the minutes of the special meeting of the Board of Directors held on April 6, 1994 are hereby approved.

Finance

The following financial statements were each reviewed and discussed in detail :-

- a. Balance sheet and income statement for the month ended and FYTD April 30, 1994;
- b. Statement of cash flows for the period from 10/1/93 to 4/30/94 and cash projection as of 5/25/94; and
- c. Statement regarding capital projects, April 30, 1994 and monthly profit and loss statements from September 1993 to April 1994.

Operational Matters

- a. After Thomas Hord briefed the meeting on the status of the repair and upgrading work to the oxidiser and informed the Board that due to changes to environmental laws, details of which are not yet publicised, the oxidiser may not satisfy the requirements of such laws after refurbishment and referring to the two letters by H.M. Walker & Associates dated March 17, 1994 and March 21, 1994, it was RESOLVED THAT the oxidiser be returned and a refund of monies paid be sought if management deems this course to be in the best interest of the Corporation based upon a final determination of environmental law changes.
- b. RESOLVED THAT Allwaste's interest in purchasing the barge cleaning business be pursued generally along the lines set forth in Wayne Boudreaux's letter of May 25, 1994, which is attached and made part of these minutes, with the understanding that Allwaste has stated to Mr Boudreaux that it will not be able to commence its due diligence and conduct an updating review of the barge cleaning facility until some time during the month of July 1994.

Business Development Proposals Pending

a. Mobil Yard

The Board of Directors noted that purchase of the Mobil Yard by Hercules Offshore Corporation ("HOC") will proceed provided the consent of Trenergy (Malaysia) Berhad was obtained before any steps are taken by HOC in relation to the closing of the purchase.

b. Status report of Mobil Yard's existing lessees, prospective new lessees and self-contained activities

Thomas Seward briefed the meeting on the status of the existing lessees, prospective new lessees and the self-contained activities of and on Mobil Yard.

c. Taylor Directional & Horizontal Drilling Company acquisition discussion

Thomas Seward briefed the meeting and the meeting discussed the possibility of acquiring Taylor Directional & Horizontal Drilling Company.

Corporate

RESOLVED THAT in order for the Corporation and its Board of Directors to consider the acquisition of Southern Offshore Services, Inc. and the employment of Wayne Boudreaux under a three-year contract, a comprehensive business plan be prepared detailing each business to be entered into and providing with respect to such businesses a breakdown of existing competitors, respective market shares and anticipated growth potential. Each such business is to be defined in a manner that provides a clear explanation of the services rendered or products provided and a summary of marketing methods and operational procedures. The business plan is to encompass a three-year forecast of revenues, profits, and cash flow, a beginning balance sheet detailing initial capital requirements, and a forecast of capital expenditures necessary on an annual basis to meet forecasted revenues.

+603-24 35 A.T.S.Z. 08/23 '94 15:20 ID:Hercules Uffshore 789 P07 AUG

AUG 25 '94 12:58

PAGE 1

Other Business

FAX:

It was agreed that the next Board of Directors meeting he held in late July or early August at a date and venue to be confirmed.

Upon the request of Barbara Mitchell, further clarification would be sought by Thomas Seward from Pitko in writing in respect of its report prepared in June 1993 on environmental, health and safety assessment of the Freeport Pacility.

There being no further business, the meeting ended with a vote of thanks to the Chair.

THOMASA. SEWARD, II, Chairman

NG YI-CHING, Secretary of the meeting

Other Business

It was agreed that the next Board of Directors meeting be held in late July or early August at a date and venue to be confirmed.

Upon the request of Barbara Mitchell, further clarification would be sought by Thomas Seward from Pilko in writing in respect of its report prepared in June 1993 on environmental, health and safety assessment of the Freeport Facility.

There being no further business, the meeting ended with a vote of thanks to the Chair.

THOMAS J. SEWARD, II, Chairman

NG YI-CHING, Secretary of the meeting

Balance Sheet (Unaudited) As of 06/30/94

ASSETS

Current Assets			
Cash in Bank Accounts Receivable	\$	(4,123) 98,064	ł
Total Current Assets	\$	93,941	
Fixed Assets Accumulated Depreciation	\$	908,469 (99,544)	
Total Fixed Assets	\$	808,925	
Other Assets	\$	2	
Total Assets	\$	902,868	
LIABILITI	ES & EQUITY		
Current Liabilities		•	
- Hercules Offshore Corp. N Hercules Capital Corp. Accrued Liabilities Vouchers Payable	\$	818,807 90,000 71,942 110,838	(1)
Total Current Liabilities	\$	1,091,587	
Total Liabilities	\$	1,091,587	
Stockholder's Equity	\$	(188,719)	
Total Liabilities & Equity	\$	902,868	

^() Excess of \$18,807 above the lending limit of \$800,000 results from HMSC's unpaid share of June G&A expense, which is to be repaid tom July advance from Adway to HMSC.

Hercules Marine Services Corporation Comparative Income Statement June, 1994 (Unaudited)

	Co	irrent Month			Year-to-Date	ŧ	
	Actual	Budget	Difference	Actual	Dudget	Difference	
Marine Revenue	67,487	200,000	(132,513)	443,765	1,690,000	(1,246,235)	
Operating Expenses:							
Barge Cleaning/Repair Operations	96,683	145,000	(48,317)	697,735	1,241,250	(543,515)	
General & Administrative	33,576	27,750	5,826	276,283	249,750	26,533	
Depreciation	17, 895	3,000	14,895	96, 905	27,000	69,905	
	148, 154	175,750	(27,596)	1,070,923	1,518,000	(447,077)	
Operating Income (Loss)	(80,667)	24,250	(104,917)	(627,158)	172,000	(799, 158)	
Interest	5,356	0	5,356	24,268	0	24, 268	
Net Income (Loss) Before Taxes	(86,023)	24,250	(110,273)	(651,426)	172,000	(823,426)	
Estimated Provision For Income Taxes	0	B,000	(8,000)	0	58,480	(58,480)	
Net Income (Loss)	(86,023)	16,250	(102,273)	(651,426)	113,520	(764,946)	
	***************************************	10,250	***************************************	**************		*************	
Net Income	(86,023)	16,250	(102,273)	(651,426)	113,520	(764,946)	
Add Back: Interest	5,356	0	5,356	24, 268	0	24,268	
Depreciation	17,895	3,000	14,895	96,905	27,000	69,905	
Estimated Income Tax	0	8,000	(8,000)	0	58,490	(58, 480)	
Earnings Before Depr., Interest and Taxes	(62,772)	27,249	(90,021)	(530, 253)	199,000	(729, 253)	
	*************		***********	*************		***********	

[•] Fiscal year ends September 30. These amounts represent results since October 1, 1993.

HERCULES MARINE SERVICES CORPORATION Statement of Cash Flows (Unaudited) For the Period From October 1, 1993 to June 30, 1994

	JUNE Y-T-D	MONTH JUNE
Cash flows from operating activities:		
Cash received from customers	336,422	63,752
Cash paid to vendors and employees	(761,484)	(75,777)
Net cash from operating activities	(425,061)	(12,025)
Cash flows used in investing activities:		
Capital expenditures	(389,892)	(18,988)
Net cash used in investing activities	(387,892)	(18,988)
Cash flows from financing activities:		
Advances from affiliate - HDC	718,330	22,271
Advances from affiliate - HCC	90,000	0
Net cash from financing activities	808,330	22,271
Net increase (decrease) in cash at end of period	(6,623)	•
Reconciliation of net income to met cash from		
Net income (loss)	(651,426)	(85,019)
Adjustments to reconcile met income to met cash used in operating activities:	100147201	(00)0177
Depreciation	96,904	17,895
increase in accounts receivable	(44,076)	
Increase in accounts payable	101,598	33,923
Increase in accrued liabilities	71,942	8,618
Net čash from operating activities	(425,058)	(12,020)
• •	***********	22222222



Strength through experience, equipment, know-how 11011 Richmond Ave., Suite 500 Office (713) 789-7983 Houston, Texas 77042 Fax. (713) 789-4063

FAX COVER SHEET

ATTN:

Zakir Sidek

DATE: June 22, 1994

COMPANY: Turnaround Managers Inc.

REF:

Adway Funding - HMSC

FROM:

Robert Millis

FAX #: 011/603/242-5621

Number of pages sent cover sheet only. If you have difficulty in receiving, please call.

Dear Zakir:

In order to provide sufficient advance notice; we estimate that by mid-July Adway will need to provide funding to HMSC of \$50,000, as indicated in the most recent HMSC weekly cash projection.

Please also advise if this funding should be treated as equity or as a loan.

Sincerely,

Bob Millis

RHM/bsr

cc: T. Seward

Hercules Marine Services Corporation Cash Projection As Of 7/13/94

\$ 000's

	Remaining JULY	AUG	SEPT	oct	МОД
Beginning Cash Balance	14	(44)	{77}	(97)	(97)
Collection Of A/R	12	57	75	100	125
Payments:					
Accounts Payable	40	25	25	25	35
Payrolls & Taxes	30	40	45	50	55
USL&H Premiums	0	5	5	5	5 5
Medical Claims	0	5	5	5	
Capital Expenditures	0	0	0	G	0
Property/Casualty Ins. Prems.	0	15	15	15	15
	70	90	95	100	115
Increase (Decrease) In Cash	(58)	(33)	(20)	0	10
Ending Cash Balance	(44)	(77)	(97)	(97)	(87)
	========				

The above assumes continuing operations of the barge cleaning and repair business with revenues increasing by \$25,000 per month.

Note:

Excludes Rig 15 (Womack) refurbishing revenues until determination of whether rig refurbishment to be undertaken.

HERCULES MARINE SERVI CORPORATION STATEMENT REGARDING (... TAL PROJECTS JUNE 30, 1994 (UNAUDITED)

FOLLOWING ARE THE CAPITAL EXPENDITURE PROJECTS EITHER CURRENTLY UNDERWAY OR RECENTLY COMPLETED BY HERCULES MARINE SERVICES CORPORATION:

PRÖJECT	EST. COST	THRU 06-30-94	ANTICIPATED ADDITIONAL COSTS	COMPLETION DATE	ESTIMATED PAYMENT DATE
REPLACE PRODUCT STORAGE TANKS.	6,000				
3 - 2" AIR PUMPS FOR SUCTION UNITS TO TRANSFER WASH WATER, ETC. TO STORAGE TANKS.	4,079	4,121	o	COMPLETED	PAID
VACCUM PUMPS TO TRANSFER WASH WATER TO STORAGE TANKS.	18,512	17,062	o	COMPLETED	PAIĎ
CONTAINMENT WALL -SURROUNDS STORAGE TANKS TO CONTAIN LEAKS.	38,700	38,700	٥	COMPLETED	PAID
BOILER TO PRODUCE STEAM AND HOT WATER NECESSARY TO CLEAN BARGES.	17,784	17,784	o	COMPLETED	PAID
THERMAL OXIDIZER -BURNS FUMES DE- RIVED FROM CLEANING BARGES.	68,576	68,816	٥	COMPLETED	PAID
LABOR & MISC. MATERIALS TO HELP TO EXPEDITE INSTALLATION OF CAPITAL PROJECTS.	8,860	28,039	o	UKN	PAID
ENVIRONMENTAL CONSULTANT FOR THE PURPOSE OF OBTAINING A "CONSTRUCT PERMIT" THRU TEXAS NATURAL RESOURCE CONSERVATION COMMISSION (TNRCC).	11,568	10,477	٥	UKN	07-31-94
LABOR & MATERIAL TO MODIFY/REPAIR RAILWAY SYSTEM TO SERVICE CREW BOATS & PUSH BOATS.	15,000	17,180	0	COMPLETED	07-31-94
	•		6,000		

Additional capital expenditure activity has been suspended pending outcome of talks with a potentia buyer of the barge cleaning business.

HERCULES MARINE SERVICES C	ORPORATION										
ROFIT AND LOSS STATEMENTS											
DOLLARS IN THOUSANDS											
(UNAUDITED)	FY 1993	FY 1994									FY 1994
(300)	SEP	OCT	· NOV	DEC	JAN	FE8	MAR	APR	MAY	JUN	TOTAL
REVENUE	54	52	34	47	34	32	35	53	90	67	444
OPERATING EXPENSES							•				
PERSONNEL	37	32	31	45	45	38	29	27	50	53	350
DIRECT MATERIAL	2	, 9	3	4	4 ,	i	5	2	7	6	41
WELDING SUPPLIES	0	0	0	0	0	0	0	0	1	0	1
OPERATING SUPPLIES	1	1	0	í	0	i	0	0	2	1	6
EQUIPMENT RENTAL	3	8	4	1	4	15	18	1	8	14	73
UTILITIES AND PHONE	3	4	6	4	6	7	5	4	5	4	45
INSURANCE	6	6	6	6	6	7	6	6	7	7	57
WASTE WATER DISP.	4	4	4	4	4	4	4	4	0	8	36
OTHER OPER. EXP.	2	5	3	11	9	14	10	9	24	3	88
DEPRECIATION	3	3	3	4	5	17	15	15	16	18	96
TOTAL	61	72	60	80	83	104	92	68	120	114	793
INCOME (LOSS) FROM OPER.	-7	-20	-26	-33	-49	-72	-57	-15	-30	-47	-349
ALLAOCATED 6 & A	29	28	28	39	35	30	25	28	29	34	276
INTEREST	1	0	0	0	5	3	3 -	4	4	5	24
NET INCOME (LOSS)	-37	-48	-54	-72	-89	-105	-85	-47	-63	-86	-650
	**********			*******			********		101111111	=======	
REVENUE BY CATEGORY:											
BARGE CLEANING	16	17	7	7	. 9	7	9	14	16	12	98
WATER DISPOSAL FEE	4	5	2	2	3	2	3	5	6	4	32
BARGE MECHANICAL/REPAIR	16	6	6	11	2	7	15	13	35	31	125
OTHER MARINE REVENUE	18	24	19	27	20	16	8	21	33	20	198
TOTAL	54	52	34	47		32		53	90	67	444

CASH FLOW:											
***			•				•			-	
NET INCOME (LOSS)	-37	-48	-54	-72	-89	-105	-85	-47	-63	-86	-650
ADD DEPRECIATION	3	3	3	4	5	17	15	15	16	18	96
ADD BACK INTEREST	1	3	0	0	Š	3	3	4	4	5	24
CASH FLOW FROM OPER. (EBDIT		-45				-65					-530
•			=======================================	* * * * * * * * * * * * * * * * * * * *	:======	*********	********	*******			*******
	19		82	106	63		24		13		378
:		*********		::::::::::	********	*********	********	*********	********	*******	

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BUDGETED



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FAX COVER SHEET

ATTN:

Barbara Mitchell

DATE: July 22, 1994

COMPANY: Trade Russia, Inc.

FAX #: 703/860-1761

FROM:

Thomas Seward

REF:

Your Fax Re: 1993 Pilko Report

Number of pages sent 2. If you have difficulty in receiving, please call.

Dear Barbara:

As you probably know, I left a message on your voice mail this morning. The purpose was to discuss your fax to Bob Millis yesterday regarding the June 1993 Pilko draft report and the four items that you raised at the June HMSC board meeting. There is no need to call back today, since the following should suffice until the HMSC board meeting on Wednesday June 27.

First, I was unaware at the June board meeting that the Pilko items that you were raising related to a 1993 report. Rather, I assumed that you were discussing the Pilko correspondence regarding the Mobil yard that had been included as exhibits to the Kuala Lumpur board meetings.

As to the larger issue of regulatory compliance at the Freeport facility, we engaged Pilko on May 27, 1994 to do a comprehensive analysis of all facets of the operation in anticipation of an upcoming inspection by the Texas Natural Resource Conservation Commission. Following my memo from Malaysia to Bob Millis on June 8th, he alerted Pilko to the items raised by you and the engagement letter was subsequently amended to include the confined space and spill prevention items, although these were matters that in any event would have been routinely covered by Pilko.

The two items raised by you are, therefore, part of a much larger overview that has been ongoing and is expected to be completed prior to the forthcoming board meeting on July 27 in Houston. A representative of Pilko will attend that meeting and will cover in detail all areas encompassed in the engagement letter, as amended, of May 27, 1994. As you undoubtedly noted from the minutes of the June HMSC board meeting prepared by Ng Yi-Ching, reference was made to you request, which automatically makes the matter an issue for the next meeting of the board.

As to the other two items raised by you, we do have adequate insurance to protect the barge cleaning facility, and Les Eckert will attest to that at the presentation by Les covering all insurance issues, and all permits were properly transferred, as will be attested by Tony Nunes of Bell & Murphy at the board meeting as well.

The invitation remains to visit on Tuesday, July 26 in order to go over the agendas and exhibits and discuss any other matters of interest or concern to you. In any event, please let us know when you will arrive and whether you need hotel reservations. Please fax or phone your flight number and we will arrange to pick you up at the airport.

Regardş

m Seward

TJS/bsr

VIT Inc.

TO

P.O. Box 1142 Freeport, Texas 77541 409-233-4751

To: WAYNE BOWDERENUX

FRAN. 9

July 7, 1994

Hercules Offshore Corporation P.O. Drawer O Freeport, Texas 77541

ATTN: Mr. Larry Ballinger

Dear Larry:

VIT. Inc. is still interested in leasing a fuel terminal at. your Intracoastal location in Freeport. We are proposing a mutually beneficial relationship that can benefit both of our companies.

In order for us to invest our time and resources, VIT, Inc. feels that we would need a five year lease with option to renew. in order to recoup our investment and give us ample opportunity to develop. For this lease, VIT, Inc. would provide the following:

- 1. Furnish pump and meter for fueling.
- Furnish pump for lubricants. 2.
- Furnish personnel to run the operations.
- Run electricity to dock for pump and flood lights.
- Furnish insurance for VIT, Inc. employees and general liability.
- 6. Sign hold harmless agreement with Hercules Offshore.
- Have operations certified with the Coast Guard.
- Pay Hercules one cent (\$0.01) per gallon for each gallon of fuel and five cents (\$0.05) per gallon for each gallon of lube oil sold through your facility.
- VIT will maintain and be responsible for the fuel . storage tank and dykeing around the fuel tank.
- 10. VIT will not interfere or make any Hercules customers move while crane services are being provided.

- II. In the future, if Hercules opens another facility in the Freeport area, VIT would like the option of first refusal to put in fueling.
- 12. VIT will have a totalizer on our meter which can be read monthly to verify gallonage sold through the facility.

VIT, Inc. also feels that we could generate crane and drilling customers for your facility and would like to negotiate a reasonable fee for this. To summarize, VIT, Inc. is proposing to enter into a win-win relationship that will help create new business for both of our companies. Thank you for your consideration and we look forward to your response.

Sincerely,

David W. Terry Vice President

W Lenn

DWT/cpb



Strength through experience, equipment, know-how
11011 Richmond Ave., Suite 500 Office (713) 789-7983
Houston, Texas 77042 Fax. (713) 789-4063

FAX COVER SHEET

ATTN:

Wayne Boudreaux

DATE:

July 20, 1994

Larry Ballinger

FROM:

Thomas Seward

REF:

VIT Inc. Contract

Number of pages sent cover sheet only. If you have difficulty in receiving, please call.

Dear Wayne and Larry:

Please proceed immediately with a contract with VIT Inc. in accordance with the terms set forth in their letter of July 7, 1994 to Larry Ballinger. The agreement is to be cancelable by either party upon 30 days written notice.

Please let either Tom Hord or the undersigned know by Friday July 22 if a firm understanding has been reached and when can we expect to commence operations.

It is suggested that VIT prepare the initial agreement, which then is to be reviewed by Bell & Murphy and Aberdeen Insurance prior to execution.

We are assuming, based upon the July 7 letter, that no costs will be incurred by Hercules for the installation of equipment and commencement of services by VIT. If this is not so, kindly clarify in writing immediately before proceeding toward contract.

Regards,

Tom Seward

TJS/bsr

CC:

Tom Hord Tony Nunes

Les Eckert

H. 02

VIT Inc.

P.O. Box 1142 Freeport, Texas 77541 409-233-4751

July 25, 1994

Herbules Offshore Corporation P.O. Drawer O Fresport, Texas 77541

Atth: Mr. Larry Ballinger

Dear Larry:

As per our conversation today, I would like to detail the reasons why VIT, Inc. is unable to enter into an agreement with Hercules with a thirty day cancellation clause.

- 1. VIT, Inc. is going to spend fifty to sixty thousand dollars in initial investment to install pumps, meters, dixing, office, electrical lines, water lines, sign, and inventory to set up our operations.
- VIT, Inc. is going to work hard to promote our services and products at your location.
- 3. VIT, Inc. will be solely responsible for running the operations and carrying the credit for sales generated at the facility.
- 4. The only cost Hercules Offshore Corporation will incur is:
 - A. Provide one clean 73,000 gallon tank already in place.
 - B. Area only for a 12 foot x 30 foot office.
 - C. Dock space for fuel meter and hose.

In conclusion, VIT, Inc. is willing to commit our resources to establishing and creating this new operation at your Intracoastal location. It is our intention to recoup our initial investment over the first five year lease and then sit down with Hercules Offshore Corporation and review where we are at and the economics at that time to extend this agreement. As a sign of good faith from VIT, Inc., we are willing to write into our lease agreement the same Option \$1 (see attached letter dated June 28, 1994), allowing Hercules Offshore Corporation to bring a rig to our facility in Freeport under the same parameters.

Please let me know by Friday, July 29, 1994, if a firm understanding has been reached and if we can proceed.

Sincerely,

Daid w som

David W. Terry Vice President

DW1/cpb

Enclosures

HERCULES MARINE SERVICES CORPORATION Board of Directors Meeting Agenda Kuala Lumpur, Malaysia June 8, 1994

- A. Introduction of invited guests.
- Approval of minutes of special meeting of the board of directors held on April 6, 1994
- C. Finance
 - a. Financial Statements

Balance sheets and income statements for the month ended and FYTD April 30, 1994

b. Cash Reconciliation and Cash Projection

Statement of cash flows for the period from 10/1/93 to 4/30/94 Cash projection as of 5/25/94

c. Other

Statement Regarding Capital Projects, April 30, 1994 Monthly P&Ls, September 1993 - April 1994

- D. Operational Matters
 - Permitting issues regarding barge cleaning facilities
 - Discussion of recent developments
 - H.M. Walker & Associates letter of March 17, 1994
 - H.M. Walker & Associates letter of March 21, 1994
 - Wayne Boudreaux letter of May 25, 1994 and discussion of sale of barge cleaning business

E. Business Development Proposals Pending

- Hercules (formerly Mobil) Yard
 - Status report environmental studies
 - Status report date of closing
 - Estimated refubishment expenditures
 - Terms of lease agreement between HOC, lessor, and HMSC, lessee
- Status report Hercules yard existing lessees
 - Tetra
 - Haliburton
 - Top Coat
- Status report Hercules yard prospective new lessees
 - Dow Schlumberger
 - Dreco
- Status report Hercules yard self-contained activities
 - Fuel and lubricants
 - Operator shorebase
 - Fabrication and repairs
 - Platform and rig management
 - Consulting services
 - Brian Taylor Engineering
 - Temporary personnel
- Taylor Directional & Horizontal Drilling Company acquisition discussion

F. Personnel

Wayne Boudrdeaux Employment Agreement and Three Year Business
 Plan

G. Corporate

- Approval of short term funding by Hercules Capital Corporation for working capital and approved CAPEX
- Acknowledgement and review of minutes of HMSC shareholders meeting of April 4, 1994

- H. Other Business
- I. Adjournment

MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

April 6, 1994

A special meeting of the Board of Directors of HERCULES MARINE SERVICES CORPORATION (the "Corporation") was called by Thomas Seward, Chairman, and held at the offices of the corporation.

The following were present:

Board Members: Thomas J. Seward, II

Thomas Hord

Salehuddin Hashim Zaharuddin Alias Barbara Mitchell

By Invitation: Zakir Sidek

Christian Liow Hoon Ing

Shahrom Mohamad M. A. (Tony) Nunes Robert H. Millis

Chairman Seward called the meeting to order, noted that a quorum was present, stated the meeting's purpose and the meeting proceeded as follows pursuant to the attached Agenda:

SECRETARY

The board of directors unanimously appointed M. A. (Tony) Nunes as Secretary of the meeting.

RESOLUTIONS

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following actions and resolutions were taken, approved and unanimously adopted:

Directors

1. WHEREAS, the Shareholders of the Corporation had elected a new board of directors, be it hereby

RESOLVED that the following directors are confirmed and in office:

Thomas J. Seward Thomas E. Hord Salehuddin Hashim Zaharuddin Alias Barbara Mitchell

Quorum for Board of Director's Meetings

2. RESOLVED THAT three (3) directors at the time in office shall constitute a quorum for the transaction of business at any regular or special meeting of the Board of Directors; provided, however, that the majority of members necessary to constitute such a quorum shall at all times be U.S. citizens, so that there shall in no instance be a quorum which consists of a majority of non-U.S. citizens.

Corporate/Administrative

- 3. (a) RESOLVED THAT the Corporation be and is hereby authorized to enter into and execute a management services agreement with Hercules Offshore Corporation ("HOC") for the provision by HOC of management functions and services to the Corporation, a copy of which is attached, for a fee to be agreed; and
 - (b) FURTHER THAT the line of credit (approved at the meeting of the Board of Directors held on February 7, 1994) from HOC to the Corporation in an amount not to exceed \$800,000 be maintained in place and that any borrowings above said amount be obtained from Hercules Capital Corporation for the sole purpose of meeting capital expenditures authorized by the Board of Directors and for working capital requirements.

There being no further business, upon motion duly made and seconded, the meeting was adjourned.

Thomas J./Seward, II, Chairman

M. A. (Tony) Nunes, Secretary of the Meeting

f:\man\704-00\MMS-SPE.MTG

cules Marine Services Corporation Balance Sheet (Unaudited) As of 04/30/94

ASSETS

Current Assets		
Cash in Bank Accounts Receivable	\$	15,934 72,972
Total Current Assets	\$	88,906
Fixed Assets Accumulated Depreciation	\$	875,754 (65,347)
Total Fixed Assets	\$	810,407
Other Assets	\$	(1)
Total Assets	\$	899,312
LIABILITIES	& EQUITY	
Current Liabilities		
 Hercules Offshore Corp. NP - Hercules Capital Corp. Accrued Liabilities Vouchers Payable 	\$	799,245 30,000 54,440 53,857
Total Current Liabilities	\$	937,542
Total Liabilities	\$	937,542
Stockholder's Equity	\$	(38,230)
Total Liabilities & Equity	\$	899,312

Houles Marine Services Corporation Profit & Loss Statement (Unaudited) Period: 04/01/94 to 04/30/94

·	Reporting-pe amount	ciod Ratio	Year-to-date amount	Ratio
Revenue Barge Cleaning Revenue Barge Mechanical/Repair Other Revenue	12,	205 36.54 \$ 719 24.20 539 39.27	90,994 60,377 135,133	21.07
Total Marine Revenue	\$ 52,	663 100.00 \$	286,504	100.00
Operating Costs Personnel			247,899	
Total Marine Operating Cost	\$ (27,	392) 52.11- \$	(247,899)	86.53-
Operating Expenses Direct Material Welding Supplies Operating Supplies Equipment Rental Crane Lease Utilities and Phone Insurance 'al and Professional 'e Water Disposal Other Operating Expense Depreciation Total Marine Oprting Expense	3,6 6,3 4,6 2,3	3.19 \$ 22 .42 .84 .35 .56 .87 .00 .27 6.90 .96 11.98 .17 12.02 .00 7.61 .94 4.36 .27 29.3501) 77.05-\$	422 2,746 19,672 27,029 37,500 44,454 32,847 28,000 28,900 62,708	.15 .96 6.87 9.43 13.09 15.52 11.46 9.77 10.09 21.89
Net Income(Loss)From Operation	\$ (15,:	30) 29.17- \$	(272,824)	95.23-
Allocated G & A Interest		56 52.42 \$ 80 7.00	213,347 14,766	
Total Marine Allocation	\$ (31,2	36) 59.43- \$	(228,113)	79.62-
Net Income (Loss) Before Tax	\$ (46,5	66) 88.59- \$	(500,937)	174.84-

HERCULES MARINE SERVICES CORPORATION Statement of Cash Flows (Unaudited) For the Period From October 1, 1993 to April 30, 1994

	Y-T-D Apr	HONTH APR
Cash flows from operating activities:	MET.	HEA
Cash received from customers	245,297	35,169
Cash paid to vendors and employees	(610,972)	-
Het cash from operating activities	(365,674)	(35,541)
Cash flows used in investing activities:		
Capital expenditures	(349,659)	(29,210)
Net cash used in investing activities	(349,659)	(29,210)
Cash flows from financing activities:		
Advances from affiliate	728,768	27,910
Net cash from financing activities	728,768	27,910
Net increase (decrease) in cash at end of period	13,435	(36,842)
Reconciliation of met income to met cash from		
operating activities:		
Net income (loss)	(500,937)	(46,565)
Adjustments to reconcile net income to net cash used		1.01.00.
in operating activities:		
Depreciation	55,187	7,907
Increase in accounts receivable	(18,980)	(823)
Increase in accounts payable	44,616	3,940
Increase in accrued liabilities	54,440	0
Net cash from operating activities	(365,674)	(35,541)
	***********	********

Hercules Marine Services Corporation Cash Projection As Of 5/25/94

\$ 000's

	Remaining MAY	June	JULY	AUG	SEPT
Beginning Cash Balance	10	10	(39)	(79)	(99)
Collection Of A/R	_ 15	36	50	75	100
Payments:					
Accounts Payable	10	25	25	25	25
Payrolls & Taxes	5	35	40	45	50
USL&H Premiums	0	5	5	5	5
Medical Claims	0	5	5	5	5
Capital Expenditures	0	0	0	0	. 0
Property/Casualty Ins. Prems.	0	15	15	15	15
	15	85	90	95	100
Operating Receipts Over (Under) Disbursements	. 0	(49)	(40)	(20)	0
Advance from (Pmt. to) HOC	0	0	0	0	0
Increase (Decrease) In Cash	0	(49)	(40)	(20)	0
Ending Cash Balance	10	(39)	(79)	(99)	(99)

HERCULES MARINE SERVICES & JURATION STATEMENT REGARDING CAPITAL PROJECTS APRIL 30, 1994 (UNAUDITED)

FOLLOWING ARE THE CAPITAL EXPENDITURE PROJECTS EITHER CURRENTLY UNDERWAY OR RECENTLY COMPLETED BY HERCULES MARINE SERVICES CORPORATION:

PROJECT			ANTICIPATED ADDITIONAL COSTS		DATE
· 			6,000		
3 - 2" AIR PUMPS FOR SUCTION UNITS TO TRANSFER WASH WATER, ETC. TO STORAGE TANKS.	4,079	4,121	o	COMPLETED	PAID
VACCUM PUMPS TO TRANSFER WASH WATER TO STORAGE TANKS.	18,512	17,062	o	COMPLETED	05-18-94
CONTAINMENT WALL -SURROUNDS STORAGE TANKS TO CONTAIN LEAKS.	38,700	38,700	٥	COMPLETED	PAID
BOILER TO PRODUCE STEAM AND HOT WATER NECESSARY TO CLEAN BARGES.	17,784	17,784	o	COMPLETED	PAID
THERMAL OXIDIZER -BURNS FUMES DE- RIVED FROM CLEANING BARGES.	69,576	68,816	o	05-31-94	06-15-94
LABOR & MISC. MATERIALS TO HELP TO EXPEDITE INSTALLATION OF CAPITAL PROJECTS.	8,860	27,424	5,000	05-31-94	06-30-94
ENVIRONMENTAL CONSULTANT FOR THE PURPOSE OF OBTAINING A "CONSTRUCT PERMIT" THRU TEXAS NATURAL RESOURCE CONSERVATION COMMISSION (TNRCC).	11,568	5,370	6,198	05-15-94	06-15-94
LABOR & MATERIAL TO MODIFY/REPAIR RAILWAY SYSTEN TO SERVICE CREW BOATS & PUSH BOATS.	15,000	8,061	6,939	05-31-94	06-30-94
			24,137		

Due to stringent permit rules & regulations for the Oxidizer installation, it has been determined that we would be better off waiting until some of the requirements change that will make it easier to obtain the necessary permit. Wayne Boudreaux is waiting to hear back from the supplier as to what will be involved in returning the oxidizer.

Ton Hord

ROULES MARINE SERVICES CO	RPORATION
PROFIT AND LOSS STATEMENTS	
DOLLARS IN THOUSANDS	<u> </u>

BUOGETED

PROFIT AND LOSS STATEMENTS DOLLARS IN THOUSANDS	MI 4011 1011								
(UNAUDITED)	FY 19937	FY-1994							FY 1994
(diagonal co)	SEP	OCT	NOA	DEC	JAN	FEB	KAR	APR	TOTAL
REVENUE	54	52	34	47	34	32	35	53	287
OPERATING EXPENSES									
PERSONNEL	37	32	31	45	45	38	29	27	247
DIRECT MATERIAL	2	9	3	4	4	1	5	2	28
. WELDING SUPPLIES	0 .	0	. 0	. 0	0	0	0	0	0
OPERATING SUPPLIES	1	1 `	0	i	0	1	0	0	3
EQUIPMENT RENTAL	3	8	4	1	4	15	18	1	51
UTILITIES AND PHONE	3	4	6	4	6	7	. 5	4.	36
INSURANCE	્6	6	6	6	6	7	6	6	43
WASTE WATER DISP.	` 4	4	4	4	4	4	4	4	28
OTHER OPER. EXP.	2	5	3	11	9	14	10	9	61
DEPRECIATION	3	3	3	4	5	17	15	15	62
TOTAL	61	72	60	80	83	104	92	68	559
INCOME (LOSS) FROM OPER.	-7	-20	-26	-33	-49	-12	-57	-15	-272
'LLAOCATED 6 & A	29	28	28	39	. 35	30	." 25	28	213
ATEREST	1	0	0	0	5	3	3	4	15
NET INCOME (LOSS)	-37	-48	-54	-72	-89	-105	-85	-47	-501
		********	********			*********	********	222222 3	
DEHEMBE BY PATERORY.									
REVENUE BY CATEGORY:		4.7	-	,	•	,		1,	70
BARGE CLEANING	16	17	7	7	9	7	9	14	70
WATER DISPOSAL FEE	4	5	2	2	3	2	3	5	22
BARGE MECHANICAL/REPAIR	16	6	ь	11	2	7	15	13	60
OTHER MARINE REVENUE	18	24	19	27	20	16	8	21	135
TOTAL	54	52	34	47	34	32	35	53	287
		•••••	***-**			•			
CASH FLOW:				•					
NET INCOME (LOSS)	-37	-48	-54	-72	-89	-105	-85	-47	-501
ADD DEPRECIATION	3	3	3	4	5	17	15	15	62
ADD BACK INTEREST	1	0	0	0	5	3	3	4	15
CASH FLOW FROM OPER. (EBDIT	-33	-45	-51	-68	-79	-85	-67	-28	-424
	***********	::::::::::	********		22232222	12111111	*******	*;::::::	
<u>.</u> .									
CAPITAL EXPENDITURES	19	9	` 82	106	63	34	24	29	347
DUARTER						*********			********

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H.M. WALKER & ASSOCIATES, Inc.

- Environmental Consultants

3321 East Bayou Drive Dickinson, Texas 77539 Telephone: (713) 337-1177

March 17, 1994

To: Management, Hercules Marine Services Corp. T.J.Seward, T.E.Hord, J.Camacho, S.Edwards

Subject: Analysis of Hercules Situation, vis-a-vis TNRCC

On Feb 24th T was engaged by Hercules management, as an air pollution consultant, to work to the end of securing a valid air pollution (construction) permit from TNRCC applicable to Hercules facilities and activities located near Freeport, TX.

Due to previous commitments I have been able to give this task little time until March 16th when I returned from out of town.

My first effort has been to define the current situation vis-avis the TNRCC and all applicable regulatory requirements. A brief outline of my findings follows:

HISTORY OF THE HERCULES SITE:

The Hercules facility has existed on its present site since 1970 which datewise makes it a "grandfathered" facility in the view of the TNRCC. This means that it existed and operated prior to 1971 when the first requirements for air pollution abatement, permits, etc became effective. Grandfathered facilities were exempt from such requirements and have ever remained so until such time as they change their mode of operation in some manner, which triggers the need to apply for a formal construction permit and later for an operating permit. One TNRCC representative has indicated that the agency has no record of proper registration of the facility under the 1987 granfathered source registration edict.

The earliest records which I have yet found date from 1981 when Fish Engineering owned the operation. A plot plan dated 1981 is substantially identical with the present facility as far as can be ascertained.

On 2/14/89 Hercules Offshore Drilling Company was granted a permit exemption (No. X-13561) for a barge cleaning facility. This action was supposedly based on an application dated 4/19/82 (presumably by Fish). It was also noted that this permit was associated with a "change of ownership" of the facility. Specifically listed sources were a boiler H-1 (oil fired) and the cleaning area designated

as AREA-1. It was apparently designated as a major facility (more than 100 tons of air emissions). The allowables listed were much less being: particulates 0.17 t/yr, VOC .09 t/yr, NOx 1.88 t/yr, SO2 17.31 t/yr and CO .86 t/yr --all from the boiler. The cleaning area was assigned NM VOC-U 2.09 t/yr. These values were in gross The boiler emissions are far too high, the cleaning area emissions are far too low. The 100 tons may be in the ball park. However one must remember that in those days emissions from surface coating or from vessel degassing had not yet been recognized by the regulatory agencies as officially existing. Gas-freeing was discussed in the Fish application as a routine procedure applicable to essentially all barges. It was also mentioned that emissions from gas freeing were not estimated because EPA at that time was legally restrained (presumably by the Coast Guard) from regulating marine vessel 'emissions. No specific mention of sandblasting and surface coating activities was found in the 1981/2 discussion but such activities were clearly part of services which included "barge repair", "cutting", and "welding". It is assumed that they were always a major function of Fish and later Hercules. In later documents TNRCC refers to this permit number as X-3561. permit was granted on the basis that the facility "will not make a significant contribution to air contaminants in the atmosphere".

Sometime, apparently between 1982 when a photograph shows only industrial marine activities in the area, and 1989; a waterfront residential development was constructed along some old and new channels lying to the southwest of Hercules. Apparently one of the boat slips included in the residential development was formerly used industrially. The photo referenced above clearly shows a barge in the slip which is now lined with several waterfront homes.

It may be that Fish owned all of the property between the present Hercules boundary and the present residential area boundary but did not sell the intervening block to Hercules. The status of the intervening block is being investigated.

Apparently in this period Mr. Bob Casales became the owner of the house on the old slip nearest to Hercules. Although he knowingly moved into a going industrial/marine area he apparently assumes that only he has rights and that industry and their employees have none. He has become a chronic complainer to anyone who will listen. The TNRCC is forced by the laws and their policies to listen (but not necessarily to agree). Since his arrival he has registered perhaps 50 such complaints plus complaints to the Free-port city government, its fire department, its police department and other agencies which he feels might offer a sympathetic ear.

His frequent complaints against Hercules involve sandblasting dust, odors, toxics in the air, noise, etc. TNRCC (formerly TACB) has extended him every courtesy and has sent inspectors (from Houston) to check out every complaint. They even mounted a period of intensive surveillance of Hercules and made perhaps 10 successive inspection within a period of less than 10 days. Probably because of the travel distance many of these were in the evening after

working hours or on weekends. Often Freeport or other local officials accompanied the TNRCC inspectors.

Surprisingly Hercules has been found nearly blameless through all of this. They received a NOV (notice of violation) in 1989 for nuisance dust carry over. This was resolved with an agreement on the part of Hercules to abstain from blasting when the wind was toward the residences. No fine or other action was involved. One of the later intense surveilances involved 3 TACB inspectors (1 from Austin) who reviewed everything (5/13/92). A NOV was issued for poor record keeping, operation of the boiler for more than 147 hours in the year (How this restriction came about is beyond me. Probably it was due to some concern with particulates or perhaps SO2 from the diesel fuel used in the boiler.) lack of submerged fill pipes in the recovered organic tanks and lack of a proper cover on an oil-water separator. Hercules remedied all of these items promptly. No fine was assessed.

Surprisingly, no specific complaint of Mr. Casales was ever confirmed by any inspector. These frequently involved odors, claims of sandblasting dust on the Casales property, noise (which TNRCC does not deal with), mere activity, etc. None of the various agencies involved confirmed any specific Casales complaint.

At one time TACB took dust wipings from Casales auto, house, etc and subjected them to extensive (and expensive) analyses. They turned out to be typical road dust. No evidence of Hercules sources was found.

During this period Hercules mounted an expensive program of ambient air analysis which turned up nothing of significance. Apparently this was done without any pre-agreement on the part of TACB that such analytical work could prove anything one way or another. In the undersigned's judgement this effort was largely a waste of money.

While TNRCC is forced to humor Casales and react to his calls, it appears however that he has lost much credibility with them. He has not been able to generate any significant or repeated support from his neighbors. I believe that he is a decreasing threat to Hercules although not yet insignificant.

Unfortunately he has harassed both Hercules and numerous agencies for years resulting in the wastage of large amounts of time and money on the part of all parties. It is regrettable that the rules and policies of the agencies make this possible. One of the TNRCC officials remarked on last week that such obnoxious individuals seemed to turn up just everywhere and that they are forced to deal with them much as they would prefer not to. This case reminds me of the case of the Peterson's who harassed Monsanto at Chocolate Bayou for years ---perhaps still, I don't know. They never achieved any success either but caused large wastage of time and money by all involved except themselves.

CURRENT REGULATORY STATUS OF HERCULES:

1) Permit X-3561 remains valid and in force. These old X permits cannot be amended or renewed and are replaced when a new permit is issued. However they remain in force until such time. This is normally happens when a facility finds it necessary to increase its scale of operation, adds new equipment which increases emissions or otherwise increases emissions.

In the case of Hercules the pollutant tonnages in the permit from the cleaning area are grossly low due to the intentional omission of emissions from the degassing the barges. Since the permit was issued with the understanding, by the agency, that it did not then have jurisdiction over these emissions, this should do nothing to invalidate the permit. Permit X-3561 clearly allows degassing, barge cleaning, barge repair and by implication sandblasting and surface coating.

At that time that permit was issues representations made by Fish to the TACB claiming 151 barges were serviced in the prior 13 months. Clearly no claim of expanded operations can be made against Hercules until that rate is exceeded for at least one year. (Since the permit mentions no such number maybe no numeric limit legally exists.) While there are plans to install a new boiler at the site it has not been done so cannot trigger an agency demand for a new permit. (And, it should not be done be until the entire permit question is resolved.) The only new restriction imposed since the original permit was issued is the agreement to avoid sandblasting (and degassing?) when the wind blows towards the residences.

It is therefore not clear to the undersigned why Hercules got into the quest for a new permit. I surmise that it was due to the pending issuance of a revised Regulation V (officially Chapter 115) which did happen (adopted 11/10/93). However only two sections contain new text which might be construed as affecting Hercules. Section 115.421(a) deals with surface coating activities. This section actually existed largely unchanged in prior versions of Chapter 115. However its section 115.427 states that "... coating operations involving the exterior of marine vessels are exempt ...from the provisions of 115.421(a) This exemption has always been a part of the regulations for surface coating from their original publication.

A new section, 115.541 deals with the DEGASSING OR CLEANING...OF TRANSPORT VESSELS. This will affect Hercules. However section 115.549 specifies that compliance with the provisions of 115.541 is not required in Brazoria County until November 15, 1996. Thus securing a new permit is not urgent, as operations under X-3561 can continue until that date. I therefore assume that the decisions to apply for a new permit and purchase the oxidizer were based on the early knowledge of these future requirements.

CURRENT EFFORTS TO GET A NEW TNRCC PERMIT:

For more than 1 year Hercules has sought to get a new construction /operating permit from the agency. Unfortunately due to incompetent advise on the matter the application which was submitted was unacceptable and finally was invalidated for lack of proper written response to agency questions. This sends Hercules back to ground zero.

SIGNIFICANT REQUIREMENTS EXPECTED IN A NEW PERMIT: (These will be outlined only briefly.)

Sandblasting ---(1) Certainly a shift from ordinary sand to "black grit" will be required. Black grit yields much less airborne dust and has a much lower health effect than silicious sand. (2) The curtain previously built to minimize emissions to the southwest will have to be replaced and used. A provision for furling it when no sandblasting is taking place should be considered.

Surface coating ---(1) Airless spray guns will be required. (2) Their will be restrictions on the VOC content of the paint (which Hercules seems to be observing now, at least partially). (3) There may be some limitation imposed concerning the total amount of solvents emitted per year (so don't estimate low).

Barge degassing: This is the most significant problem area. The oxidizer was ordered to handle this. However it does not appear that any proper engineering was done to determine the suitability for the task of the unit now under construction. I have been studying this problem in depth for several days. While final recommendations cannot yet be made the following points are noted.

- (1) The most serious concern with the oxidizer is safety. It must be made safe from explosions. This is not a simple problem and no low-cost general solution has yet been devised by concerned industry. Some barges will contain explosive vapors when they arrive. Others may actually have organic concentrations which are above the explosive range.
- (2) To achieve safe operation at all times high quality instrumentation will be required. Operations should be made as automatic as possible. Probably more than 1 blower will be required plus several hundred feet of large diameter duct, flexible hoses, large valves, etc will have to be installed. The addition of more flame arresters is indicated. There will also be other expenses required for the installation.
- (3) The 4000 cfm oxidizer being constructed will severely extend the time to degas a vessel if high vapor pressure materials have been the prior cargo. (Example 36 hours to degas a 30000 bbl acetone barge on a 90°F day.)
- (4) Devices to reduce the load going to the oxidizer will materially reduce degassing time. I am currently evaluating the use

of a precondenser to condense much of contained high vaporpres sure materials. In some cases a water scrubber might be applicable.

- (5) If barges which have contained chlorinated compounds are to continue to be serviced a scrubber to remove HCL will have to be added on the exhaust of the oxidizer.
- (6) Low volatility materials will not require the use of the oxidizer.
- (7) For some high volatility materials (as acetone and benzene) other designs propose enriching the barge vapors with methane and then flaring.

Keep in mind that none of this having to do with degassing need be done before November 15, 1996. Hercules may degas as they have been doing until that date. In this respect the purchase of the combustor was quite premature.

Specific recommendations will be found in a separate letter.

Jany M. Walker

Harry M. Walker, Ph.D. Environmental Consultant

H.M. WALKER & ASSOCIATES, Inc.

- Environmental Consultants

3321 East Bayou Drive Dickinson, Texas 77539 Telephone: (713) 337-1177

March 21, 1994

To: Management, Hercules Marine Services Corp. T.J.Seward, T.E.Hord, J.Camacho, S.Edwards

Subject: Recommendations for immediate action

- (1) Immediately resume full barge servicing operations as in the past at the Freeport plant.
- (2) Promptly submit an exemption for the new propane-fired boiler to replace the old oil-fired unit. (The undersigned will prepare and submit the necessary papers.) [The new boiler is totally exemptible under Special Exemption #7.] This will get rid of the 147 hrs/yr restriction. Do not install the boiler until the exemption is approved by the TNRCC.
- (3) Promptly take steps to delay the receipt of the oxidizer, or better cancel the contract and get your money refunded. While the unit ordered may be useful after 11/15/96, there may also be better ways to go.
- (4) Replace the dust curtain which formerly was installed on the SW boundary of the plant. Try to upgrade it so it will have a better useful life. [This is not mandatory but it will help relations with the neighbors and the agency.]
- (5) Phase in black grit as a sandblasting medium at least for major jobs.
- (6) Under resumed operations be especially careful to observe all requirements for record keeping, and intact vent system/carbon filter system for the recovered liquid tank vent and the hydrocarbon/water separator.
- (7) Continue to avoid heavy silica sand sandblasting or barge degassing when the wind is blowing toward the Casales house. Light sandblasting, or black grit blasting should be acceptable under almost andy conditions. Minimal degassing is probably ok at almost anytime (particularly for low volitility or non-odorous compounds).
- (8) All contaminated barges are not equal. Develop a comprehensive list outlining the best procedure for handling each type of

barge contaminant under various conditions. (The undersigned will assist with this if requested.)

- (9) Recognize that Hercules has a right (and an obligation) to stay in business as long as it operates under the provisions of X-3561 plus the currently applicable regulations. It has an obligation to remain in business to service the needs of the Freeport port area.
- (10) It shall not cause a nuisance. [The nuisance statutes are a part of general public law and not a part of environmental law. Nuisance claims are much more difficult for the agency to enforce than mere observance of regulations. Operation as discussed above should not result in any successful nuisance suits against Hercules.]
- (11) Continue efforts to develop a safe as well as economic system which will meet Hercules needs after 11/15/96 when the degassing regulation becomes effective. Hercules must not be the first to blow up a barge learning how to safely degas it.
- (12) When confronted by Casales or the TNRCC, know your rights, stand firm. Hercules has its rights too.

Harry M. Walker, Ph.D.

Harry M. Walker, Ph.D. Environmental Consultant

Strength through environmental awareness and customer service

P.O. Drawer O Freeport, Texas 77541 Office (409) 233-6371 Fax. (409) 233-6375

May 25, 1994

VIA TELECOPY AND REGULAR MAIL

Mr. Allan Grimm Vice President Allwaste Container Services Two Concourse Parkway Suite 750 Atlanta, GA 30328

Dear Allan:

Following our conversation last week I spoke to Tom Seward and Tom Hord about the possibility of selling the Hercules barge cleaning operations to Allwaste. They responded by indicating it would be necessary to present the matter to ownership in Malaysia before proceeding.

In a meeting today with Tom Seward I was advised that he has been in contact with Mr. Zakir Sidek, the representative of Malaysian ownership responsible for day to day liaison with Hercules activities. Authorization was granted to formulate a proposal, which will be presented to the board of directors of Hercules Marine Services Corporation in Malaysia at a meeting to be held on June 7th, if there is a basis to proceed on terms mutually agreeable.

It is understood that a purchase price of \$550,000 had been agreed to in November, 1992. According to Tom Seward, negotiations were then aborted at the direction of the owners at the time, General Electric and Elders Finance. As I understand it, the latter decision was a reversal of a prior decision by Hercules ownership to sell the barge cleaning facility.

As a matter of additional and more current background information, it is my understanding that barge cleaning and repair activities have been on hold for more than a year. During 1993 revenues declined significantly as the stockholders decided not to fund necessary capital expenditures to upgrade the facility pending the sale of the company. During this period there were no marketing efforts, although liaison was

maintained with Dow and other important barge owning companies strictly for the purpose of maintaining relationships as opposed to developing business.

The Malaysian stockholders assumed control of all Hercules activities and ownership of all assets on September 1, 1993, at which time operations were divided into two companies, Hercules Offshore Corporation ("HOC") and Hercules Marine Services Corporation ("HMSC"). The latter owns the Freeport yard and operates the barge cleaning and repair business.

While there has been no prior contemplation by the new owners to dispose of the barge cleaning business, consideration will be given to the matter in light of the fact that the 47-acre Mobil yard in Freeport will be purchased in June 1994. This will result in a major expansion of the offshore rig services provided HOC. For that reason, I have been advised that the barge cleaning business can be purchased on the terms that follow.

- 1. Cash purchase price of \$750,000 for 10± acres of land, buildings, operating and office equipment, tools, permit, goodwill and personnel. The \$200,000 increase above the 1992 sales price reflects capital expenditures made since the change in ownership on September 1, 1993 which are set forth on the schedule attached to this letter. From the \$750,000 purchase price, a deduction will be made for the direct cost by Allwaste for the removal of any tank/s and/or product required by Allwaste as a condition of closing.
- Allwaste will be provided with copies of all environmental studies and reports in Hercules' possession and will have access to all books and records, including all regulatory correspondence and documents.
- Hercules and its stockholders will agree not to compete with Allwaste in the barge/container cleaning business for five years following the closing of the acquisition.
- 4. Personnel is to include Acting Marine Services Superintendent Jesse Camacho, Yard Superintendent Jim Jackson, two Yard Foremen, Office Manager Sylvia Edwards and all hourly employees. At Allwaste's option, any of the above personnel may be deleted from the acquisition. Sales Manager Larry Ballinger is to be given the option of accepting employment by Allwaste, if Allwaste elects to so offer, or remain with Hercules at his current salary level.
- 5. Hercules, its stockholders, and affiliated companies will have the right to engage in vessel/container repair and/or fabrication.
- 6. The sale will be on the basis of as is, where is, with no representations other than a recitation, if required by Allwaste, of matters and issues implicit in existing laws and regulations.

In line with our discussion, stockholders did consider the question of retaining the $10\pm$ acres and leasing the property to Aliwaste. I am advised that this option is acceptable provided there is no change in the above referenced \$750,000 purchase price and the terms enumerated. The lease would be on a net/net basis with a term of five years and a monthly rental reflective of prevailing pricing for waterfront properties in the Freeport, Texas area.

If Allwaste is interested in proceeding, please call me at your convenience so that ownership in Malaysia can be advised and arrangements can be made for board presentation at the aforementioned June 7th meeting.

Very truly yours,

Wayne Boudreaux Consultant to HMSC

Was Band

WB/br Attachment

CC:

Zakir Sidek Thomas Seward Thomas Hord

MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES MARINE SERVICES CORPORATION

April 6, 1994

A special meeting of the Board of Directors of HERCULES MARINE SERVICES CORPORATION (the "Corporation") was called by Thomas Seward, Chairman, and held at the offices of the corporation.

The following were present:

Board Members: Thomas J. Seward, II

Thomas Hord

Salehuddin Hashim Zaharuddin Alias Barbara Mitchell

By Invitation: Zakir Sidek

Christian Liow Hoon Ing

Shahrom Mohamad M. A. (Tony) Nunes Robert H. Millis

Chairman Seward called the meeting to order, noted that a quorum was present, stated the meeting's purpose and the meeting proceeded as follows pursuant to the attached Agenda:

SECRETARY

The board of directors unanimously appointed M. A. (Tony) Nunes as Secretary of the meeting.

RESOLUTIONS

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following actions and resolutions were taken, approved and unanimously adopted:

Directors

 WHEREAS, the Shareholders of the Corporation had elected a new board of directors, be it hereby RESOLVED that the following directors are confirmed and in office:

Thomas J. Seward Thomas E. Hord Salehuddin Hashim Zaharuddin Alias Barbara Mitchell

Quorum for Board of Director's Meetings

2. RESOLVED THAT three (3) directors at the time in office shall constitute a quorum for the transaction of business at any regular or special meeting of the Board of Directors; provided, however, that the majority of members necessary to constitute such a quorum shall at all times be U.S. citizens, so that there shall in no instance be a quorum which consists of a majority of non-U.S. citizens.

Corporate/Administrative

- 3. (a) RESOLVED THAT the Corporation be and is hereby authorized to enter into and execute a management services agreement with Hercules Offshore Corporation ("HOC") for the provision by HOC of management functions and services to the Corporation, a copy of which is attached, for a fee to be agreed; and
 - (b) FURTHER THAT the line of credit (approved at the meeting of the Board of Directors held on February 7, 1994) from HOC to the Corporation in an amount not to exceed \$800,000 be maintained in place and that any borrowings above said amount be obtained from Hercules Capital Corporation for the sole purpose of meeting capital expenditures authorized by the Board of Directors and for working capital requirements.

There being no further business, upon motion duly made and seconded, the meeting was adjourned. // // // //

Thomas J./Seward, II, Chairman

M. A. (Tony) Nunes, Secretary of the Meeting

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MINUTES OF A SPECIAL MEETING OF THE

SHAREHOLDERS OF

HERCULES MARINE SERVICES CORPORATION

April 4, 1994

A special meeting of the Shareholders of HERCULES MARINE SERVICES CORPORATION (the "Corporation") was called by Thomas J. Seward II, President of the Corporation, and held in at the offices of the Corporation.

SHAREHOLDERS PRESENT

The meeting was attended in person by Salehuddin Hashim and Zaharuddin Alias. The aforementioned persons constituted all of the Shareholders of the Corporation and quorum thereof. The meeting was also attended by Thomas J. Seward, President of the Corporation and Chairman of the meeting, and invited guest M. A. (Tony) Nunes, legal counsel to the Corporation. Chairman Seward called the meeting to order and stated its purpose and business proceeded as follows:

SECRETARY

The Shareholders unanimously appointed M. A. (Tony) Nunes as Secretary of the meeting.

RESOLUTIONS

Upon careful consideration and deliberation, with all motions being correctly proposed and seconded, the following resolutions were approved and unanimously adopted:

RESOLVED:

Election of Directors

THAT the following persons be and hereby are elected to serve as members of the Board of Directors until the expiration of their terms or until their successors shall be duly elected and qualified:

Thomas J. Seward II Thomas E. Hord Salehuddin Hashim Zaharuddin Alias Barbara Mitchell

Director Action

THAT the Board of Directors of the Corporation be, and they are hereby, authorized and directed to take such actions as are necessary and reasonable to carry out the purpose for which the Corporation was organized;

No other business coming before the meeting, the meeting thereupon adjourned.

1. A. (Tony) Nunes, Secretary

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MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES OFFSHORE MARINE SERVICES CORPORATION

December 21, 1993

A special meeting of the Board of Directors of HERCULES OFFSHORE MARINE SERVICES CORPORATION (the "Corporation") was called by Thomas Seward, Chairman, and held in Kuala Lumpur, Malaysia and by telephone.

BOARD MEMBERS PRESENT

The meeting was attended by Thomas Seward, Thomas Hord, and Salehuddin Hashim, with directors Seward and Hashim attending in person and director Hord by telephone. The aforementioned persons constituted all of the directors of the Corporation and a quorum thereof. The meeting was also attended via telephone by invited guest M. A. (Tony) Nunes, legal counsel for the Corporation. Chairman Seward called the meeting to order and stated its purpose and business proceeded as follows:

SECRETARY

The Board of Directors unanimously appointed M. A. Nunes as Secretary of the meeting.

RESOLUTIONS

After careful consideration and deliberation, with all motions being correctly proposed and seconded, the following resolutions were approved and unanimously adopted:

Ratification of Prior Actions

THAT the prior actions of the shareholders and board of directors of the Corporation pursuant to the October 15, 1993 board of director and shareholder resolutions electing new officers and directors be, and they hereby are, approved and ratified in all respects. It was also noted that the reason for changing the composition of the officers and the board of directors was due to vessel documentation purposes, it being necessary for the Corporation to be structured with the following persons as United States citizens:

- The president or other chief executive officer;
- 2. The chairman of the board of directors; and

3. A majority of directors necessary to constitute a quorum at meetings.

Purchase of Facilities in Freeport

THAT the proposed purchase by the Corporation of Hercules Offshore Corporation's facilities in Freeport, Texas (previously owned by Mobil Gas Systems) ("Facilities") for an aggregate amount of approximately \$1,650,000, subject to the mutually agreed terms and conditions agreed to by the parties, be and is hereby approved.

Transfer of Service Vessels

THAT the Corporation, in accordance with the provisions of the Purchase and Sale Agreement dated July 23, 1993 between Adway International Limited and Hercules Offshore Corporation (the "Agreement"), accept the transfer of the three service vessels (Bluefin, Hercules, and the Lowe boat) from Hercules Offshore Corporation to the Corporation to confirm to the original shareholder of Hercules Offshore Corporation intent as of the September 1, 1993 asset purchase date, with all appropriate documentation related thereto to be prepared by Bell & Murphy.

Corporate Fiscal Year End

THAT the Corporation's fiscal year end shall be September 30 based upon Robert Millis' memorandum of November 22, 1993, attached hereto as Exhibit A.

Quorum of Directors

THAT unless otherwise prohibited by law, three directors, being all the directors of the Corporation, are necessary to constitute a quorum at directors' meetings and further THAT all actions taken by the directors at a meeting or by consent may only be taken with unanimous approval of all directors of the Corporation.

Bylaws

THAT, pursuant to Article 9.7 of the Bylaws, Article 3.12 of the Bylaws be amended to reflect (i) the requirement of the presence of all board members then in office to constitute a quorum for the transaction of business and (ii) the requirement of the unanimous consent of all board members on actions brought before the board of directors, said amendment to the Bylaws to read as follows:

3.12 Quorum; Majority Vote. meetings of the board of directors the presence of all of the directors then in office shall constitute a quorum for the transaction of The act of all of the business. directors then in office shall be the act of the board of directors, except as otherwise specifically provided by statute, the articles of incorporation, or these bylaws. If a quorum is not present at a meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

No other business coming before the meeting, the meeting thereupon adjourned.

M./A. (Tony) Nunes, Secretary

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Offshore Marine Services Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors has deemed it to be in the best interest of the Corporation to change its name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; and

WHEREAS, the sole shareholder, upon careful consideration, deems it to be in the best interest of the Corporation to effectuate such change; therefore be it

RESOLVED, that the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; and

FURTHER RESOLVED, that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

FURTHER RESOLVED, that the Articles of Amendment to the Articles of Incorporation, a form of which has been examined by the sole shareholder, are hereby approved in all respects and that a copy of the file-stamped Articles of Amendment be attached to this Written Consent: and

FURTHER RESOLVED, that the Board of Directors be, and it hereby is, authorized and directed to do any and all things that in its opinion, or in the opinion of counsel, is necessary to effectuate the approved corporate name change.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 21st day of Dec. , 1993.

ADWAY INTERNATIONAL LIMITED sole shareholder

By:

Name: Salehuddin Hashim

Title: Authorized Signatory

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ICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act (the "Act"), the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

ARTICLE 1

The name of the corporation is Hercules Offshore Marine Services Corporation.

ARTICLE 2

The following amendment to the Articles of Incorporation adopted by the shareholders of the corporation _, 1993. The shareholders of the corporation deemed it to be in the best interest of the corporation to change the name of the corporation from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation.

The amendment alters or changes Article I of the amended Articles of Incorporation and the full text of such provision as amended is as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

ARTICLE 3

The number of shares of the corporation outstanding at the time of such adoption was 2; and the number of shares entitled to vote thereon was 2.

ARTICLE 4

The holders of all the shares outstanding and entitled to vote on said amendment have signed a consent in writing pursuant to Article 9.10 of the Act adopting said amendment and any written notice required by Article 9.10 of the Act has been given.

Dated 1000. QI

HERCULES OFFSHORE MARINE SERVICES CORPORATION

Name: Thomas J./ Seward,

Title: President

UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS OF

HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Offshore Marine Services Corporation (the "Corporation"), hereby waive notice of a meeting and sign this instrument, in lieu of holding a special meeting of the Board of Directors, to evidence their consent to the adoption of the following resolutions being taken by the Board of Directors.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors, upon careful consideration and deliberation, deems it to be in the best interest of the Corporation to change the Corporation's name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; therefore be it

RESOLVED, that the Board of Directors hereby recommends to the Corporation's sole shareholder that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

FURTHER RESOLVED, that, upon approval by the Corporation's sole shareholder, the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; and

FURTHER RESOLVED, that Articles of Amendment to the Articles of Incorporation ("Articles of Amendment"), a form of which has been examined by the Board of Directors, are hereby approved in all respects; and

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed, upon adoption by the Corporation's sole shareholder, to execute and file Articles of Amendment with the Texas Secretary of State and, after such filing, are further instructed to attach a copy of the file-stamped Articles of Amendment to this Unanimous Written Consent.

Salehuddin Hashim, Director

Thomas Hord, Director

Thomas J. Seward, II., Chairman of the Board

UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS OF

HERCULES REAL ESTATE CORPORATION

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Real Estate Corporation (the "Corporation"), hereby waive notice of a meeting and sign this instrument, in lieu of holding a special meeting of the Board of Directors, to evidence their consent to the adoption of the following resolutions being taken by the Board of Directors.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors, upon careful consideration and deliberation, deems it to be in the best interest of the Corporation to change the Corporation's name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; therefore be it

RESOLVED, that the Board of Directors hereby recommends to the Corporation's sole shareholder that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Offshore Marine Services Corporation."

FURTHER RESOLVED, that, upon approval by the Corporation's sole shareholder, the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; and

FURTHER RESOLVED, that Articles of Amendment to the Articles of Incorporation ("Articles of Amendment"), a form of which has been examined by the Board of Directors, are hereby approved in all respects; and

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed, upon adoption by the Corporation's sole shareholder, to execute and file Articles of Amendment with the Texas Secretary of State and, after such filing, are further instructed to attach a copy of the file-stamped Articles of Amendment to this Unanimous Written Consent.

The undersigned, being all of the members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of the $\frac{\partial q^{\dagger h}}{\partial q^{\dagger h}}$ day of October, 1993.

Lo Kok Kee, Director

Daniel /Tan, Director

Thomas A. Seward, II, Director

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WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES REAL ESTATE CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Real Estate Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors has deemed it to be in the best interest of the Corporation to change its name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; and

WHEREAS, the sole shareholder, upon careful consideration, deems it to be in the best interest of the Corporation to effectuate such change; therefore be it

RESOLVED, that the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; and

FURTHER RESOLVED, that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Offshore Marine Services Corporation."

FURTHER RESOLVED, that the Articles of Amendment to the Articles of Incorporation, a form of which has been examined by the sole shareholder, are hereby approved in all respects and that a copy of the file-stamped Articles of Amendment be attached to this Written Consent; and

FURTHER RESOLVED, that the Board of Directors be, and it hereby is, authorized and directed to do any and all things that in its opinion, or in the opinion of counsel, is necessary to effectuate the approved corporate name change.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 29th day of October, 1993.

ADWAY INTERNATIONAL LIMITED, sole shareholder

Ву:

Name: Salehuddin Hashim

Title: Authorized Signatory

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WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Offshore Marine Services Corporation (the "Corporation"), hereby signs this instrument, in lieu of holding a special meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder:

RESOLVED, that Thomas Hord and Salehuddin Hashim be, and they hereby are, appointed to serve as members of the Board of Directors effective (1) , 1993, so that with the election of these new directors, the present directors of the Corporation are as follows: Thomas J. Seward, II, Salehuddin Hashim and Thomas Hord; and

FURTHER RESOLVED, that the sole shareholder hereby ratifies and confirms all actions previously taken by the Board of Directors on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledges that all actions taken by those persons as members of the Board of Directors on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, owning 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 15th day of ________, 1993.

ADWAY INTERNATIONAL LIMITED

By:

Name: Salehuddin Hashim Title: Authorized Signatory

UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS

OF HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Offshore Marine Services Corporation, a Texas corporation (the "Corporation"), hereby waive notice of a meeting and acknowledge the following statements and give their written consent to the following action:

WHEREAS, the Board of Directors of the Corporation, upon careful consideration and deliberation, deems it to be in the best interest of the Corporation to elect the following persons to the offices set forth opposite their names to serve until the expiration of their terms or until their successors shall be duly elected and qualified:

Thomas J. Seward II - President/Chief Executive

Officer

Jesse Camacho - Vice President, Operations

Robert Millis - Treasurer

Sue Manuel - Secretary; therefore be it

RESOLVED, that the above persons be, and they hereby are, elected to the offices set forth opposite their respective names to serve until the expiration of their terms or until their successors shall be duly elected and qualified; and

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such actions as are necessary and reasonable to carry out the purpose for which the Corporation was organized; and

FURTHER RESOLVED, that the Board of Directors hereby ratifies and confirms all actions taken by the previous officers, consisting of Thomas J. Seward, II as President and Chief Executive Officer, Thomas E. Hord as Vice President of Operations, Lo Kok Kee as Vice President, Robert Millis as Secretary, Treasurer, and Chief Financial Officer, and Sue Manuel as Assistant Secretary, on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledge that all actions taken by those officers

on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, being all of the members of the Board of Directors of the Corporation, hereby consent to the action taken herein, it being expressly intended that when each director has signed this Unanimous Written Consent, this document shall be effective as of the 15 day of Ottor.

Thomas J. Seward, II, Chairman of the Board

Thomas E. Hord, Director

Salehuddin Hashim, Director

EXTRACT MINUTES OF MEETING OF THE BOARD OF DIRECTORS

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HERCULES REAL ESTATE CORPORATION (A Texas Corporation)

The following is an extract of a duly held meeting of the Board of Directors of HERCULES REAL ESTATE CORPORATION, a Texas corporation (the "Company"), held on September 1, 1993 by Thomas J. Seward II, Lo Kok Kee, and Daniel Tan, being all of the members of the Board of Directors. Thomas J. Seward II and Lo Kok Kee were present in person in Houston, Texas and Daniel Tan was present via telephone. It was thereby unanimously:

RESOLVED, that the Company accept the assignment from Kane Maritime S.A. ("Kane") of its right to acquire (i) the Freeport Property and the Improvements and (ii) the Boats, as such terms are defined in that certain Asset Purchase and Sale Agreement (the "Agreement"), dated as of July 23, 1993 by and between Offshore Corporation and Hercules Adway International Limited, on the terms and conditions set forth in an Assignment Agreement to be entered into between Kane and the Company, subject to the terms mutually agreed by the parties thereto, such assignment to be in the form of contributions by Kane to the capital of the Company; and

FURTHER RESOLVED, that, for \$10.00 and other good and valuable consideration, the Company accept the transfer of the tug boat the GAY LYNN, Official No. 268946, from Hercules Offshore Corporation, a Delaware corporation; and

FURTHER RESOLVED, that the Company enter into a Subscription Agreement providing for the sale and issuance by the Company to Kane of 2 ordinary shares of common stock, par value \$1.00, subject to the terms mutually agreed by the Company and Kane; and

FURTHER RESOLVED, that any director or officer or Lo Kok Kee be, and hereby is, authorized to execute the documents which are contemplated by the above resolutions on behalf of the Company.

I, Lo Kok Kee, hereby certify that I am the Secretary of the meeting and that this is a true extract of resolutions of a meeting of the Board of Directors of the Company.

Lo Kok Kee, Secretary of the Meeting

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SUBSCRIPTION AGREEMENT

TO THE BOARD OF DIRECTORS OF HERCULES REAL ESTATE CORPORATION

KANE MARITIME S.A. ("Kane") hereby subscribes for
share, of Hercules Real Estate Corporation (the "Corporation") a
a total price of \$ 1000 . Upon receipt of such purchase
price, the Corporation shall issue to Kane a stock certificate
representing such fully paid and non-assessable
shares of Common Stock. The purchase price shall be paid by way
of an assignment by Kane to the Corporation of Kane's right to
acquire the Freeport Property and the Improvements, as those
terms are defined in the Asset Purchase and Sale Agreement dated
as of July 23, 1993 between Adway International Inc. and Hercule:
Offshore Corporation.
Dated: September 1, 1993 KANE MARITIME S.A
By:
Accepted and agreed to this 1st day of September, 1993
HERCULES REAL ESTATE CORPORATION
Ву:
NY932400008

UNANIMOUS CONSENT IN LIEU OF ORGANIZATIONAL MEETING OF THE BOARD OF DIRECTORS OF HERCULES REAL ESTATE CORPORATION

Effective as of August 30, 1993

Pursuant to the authority contained in Article 9.10B of the Texas Business Corporation Act (the "Act"), the undersigned, being the sole director of Hercules Real Estate Corporation, a Texas corporation (the "Corporation"), consents to the adoption of the following resolutions to have the same force and effect as though adopted at a meeting of the Board of Directors duly called and held:

ARTICLES OF INCORPORATION

RESOLVED, that the Articles of Incorporation of the Corporation that were filed with the Secretary of State of the State of Texas on August 30, 1993, a true and correct copy of which is attached hereto as Exhibit A, are hereby approved by the Board of Directors of the Corporation and that said Articles of Incorporation be filed by the Secretary of the Corporation among the permanent records of the Corporation.

BYLAWS

RESOLVED, that the Bylaws attached hereto as Exhibit B are hereby adopted in all respects as the Bylaws of the Corporation, and that a true and correct copy of said Bylaws be filed by the Secretary of the Corporation among the permanent records of the Corporation.

DIRECTORS

RESOLVED, that the undersigned, being the person named as director of the Corporation in the Articles of Incorporation, hereby resigns as director and the following persons are hereby elected directors of the Corporation until the first annual meeting of the shareholders and until successors shall have been duly elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office:

Lo Kok Kee Daniel Tan Thomas J. Seward, II

OFFICERS

RESOLVED, that the following persons are hereby elected to hold the office or offices of the Corporation as set opposite his or her name until the first annual meeting of the Board of Directors or until his successor or successors shall have been duly elected and qualified or until their earlier death, resignation, retirement, disqualification or removal from office:

Daniel Tan Chairman of the Board

Thomas J. Seward, II President and Chief Executive Officer

Thomas E. Hord Vice President
-Operations

Lo Kok Kee Vice President

Robert Millis Secretary, Treasurer,

and Chief Financial

Officer

Sue Manuel Assistant Secretary

STOCK CERTIFICATES

RESOLVED, that the form of Stock Certificate attached as $\underline{\text{Exhibit C}}$ is hereby approved and adopted as the form of stock certificate for the Corporation.

FISCAL YEAR

RESOLVED, that the Corporation adopt a fiscal year ending January 31 for financial and tax reporting purposes.

BANKING AUTHORIZATION

RESOLVED, that the President and Secretary of the Corporation are hereby authorized and empowered for and on behalf of the Corporation to designate in writing such banks, trust companies or other financial institutions as depositories for the funds of the Corporation to be carried in an account or accounts as styled by said officers in their discretion; and such depository is authorized and requested to accept, honor and pay, without further inquiry and until written notice of the revocation of such authority granted is

received by it, all checks, drafts and other orders for the payment or withdrawal of such funds of the Corporation, including any instruments payable or endorsed to the order of the Corporation by either the President and Secretary of the Corporation; and

RESOLVED, that the President and Secretary of the Corporation are authorized hereby to execute and certify any resolutions required by any depository, and such resolutions shall be included in the minutes of this meeting as if duly considered and adopted by this Board of Directors.

ORGANIZATIONAL EXPENSES

RESOLVED, that the officers of the Corporation are hereby authorized to pay all fees and expenses relate to the organization of the corporation.

QUALIFICATION IN FOREIGN JURISDICTIONS

RESOLVED, that for the purpose of authorizing the Corporation to transact business in any state, territory or dependency of the United States or any foreign country in which it is necessary or expedient for the Corporation to transact business, the proper officers of the Corporation are hereby authorized to appoint and substitute all necessary agents or attorneys for service of process, to designate and change the location of all necessary statutory offices and to execute, acknowledge, deliver and file all necessary certificates, reports, powers of attorney and other instruments as may be required by the laws of such state, territory, dependency or country to authorize the Corporation to transact business therein and, whenever it is expedient for the Corporation to cease transacting business therein and to withdraw therefrom, to revoke any appointment or agent or attorney for service of process, and to execute, acknowledge, deliver and file such certificates, reports, revocation of appointment or surrender of authority that may be necessary to terminate the authority of the Corporation to transact business in any such state, territory, dependency or country.

ISSUANCE AND SALE OF COMMON STOCK

purchase _____ shares of the Corporation's authorized shares of common stock for \$1,000 is the minimum amount of capital required by the Act to be paid before this Corporation can commence business, and that the President and Secretary of the Corporation are hereby authorized and directed to issue to kee New Years A. a certificate representing _____ shares of common stock of the Corporation.

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FURTHER ACTION

RESOLVED, that the officers of the Corporation are hereby authorized to execute, acknowledge, deliver and file such other documents and to take such further actions as they may deem necessary or appropriate to effect the intent and accomplish the purposes of the preceding resolutions; and

RESOLVED, that the Secretary of the Corporation is instructed to retain custody of the minute book and to insert therein this Consent and the minutes of all other proceedings of shareholders and directors of this Corporation.

The undersigned has executed this Consent as of the date first written above.

G. Matthew Sheridan

SUBSCRIPTION AGREEMENT

TO THE BOARD OF DIRECTORS OF HERCULES REAL ESTATE CORPORATION
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KANE MARITIME S.A. ("Kane") hereby subscribes for
shares of Common Stock, par value \$1.00 per
share, of Hercules Real Estate Corporation (the "Corporation") at
a total price of \$ 1000 . Upon receipt of such purchase
price, the Corporation shall issue to Kane a stock certificate
representing such fully paid and non-assessable
shares of Common Stock. The purchase price shall be paid by way
of an assignment by Kane to the Corporation of Kane's right to
acquire the Freeport Property and the Improvements, as those
terms are defined in the Asset Purchase and Sale Agreement dated
as of July 23, 1993 between Adway International Inc. and Hercules
Offshore Corporation.
Dated: September 1, 1993 KANE MARITIME S.A
ву:
Accepted and agreed to this 1st day of September, 1993
HERCULES REAL ESTAGE CORPORATION_
By:
NY932400008

EXTRACT MINUTES OF MEETING OF THE BOARD OF DIRECTORS

OF

HERCULES REAL ESTATE CORPORATION (A Texas Corporation)

The following is an extract of a duly held meeting of the Board of Directors of HERCULES REAL ESTATE CORPORATION, a Texas corporation (the "Company"), held on September 1, 1993 by Thomas J. Seward II, Lo Kok Kee, and Daniel Tan, being all of the members of the Board of Directors. Thomas J. Seward II and Lo Kok Kee were present in person in Houston, Texas and Daniel Tan was present via telephone. It was thereby unanimously:

RESOLVED, that the Company accept the assignment from Kane Maritime S.A. ("Kane") of its right to acquire (i) the Freeport Property and the Improvements and (ii) the Boats, as such terms are defined in that certain Asset Purchase and Sale Agreement (the "Agreement"), dated as of July 23, 1993 by and between Hercules Offshore Corporation and International Limited, on the terms conditions set forth in Assignment an Agreement to be entered into between Kane and the Company, subject to the terms mutually agreed by the parties thereto, such assignment to be in the form of contributions by Kane to the capital of the Company; and

FURTHER RESOLVED, that, for \$10.00 and other good and valuable consideration, the Company accept the transfer of the tug boat the GAY LYNN, Official No. 268946, from Hercules Offshore Corporation, a Delaware corporation; and

FURTHER RESOLVED, that the Company enter into a Subscription Agreement providing for the sale and issuance by the Company to Kane of 2 ordinary shares of common stock, par value \$1.00, subject to the terms mutually agreed by the Company and Kane; and

FURTHER RESOLVED, that any director or officer or Lo Kok Kee be, and hereby is, authorized to execute the documents which are contemplated by the above resolutions on behalf of the Company.

I, Lo Kok Kee, hereby certify that I am the Secretary of the meeting and that this is a true extract of resolutions of a meeting of the Board of Directors of the Company.

Lo Kok Kee, Secretary of the Meeting

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UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS

OF HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Offshore Marine Services Corporation, a Texas corporation (the "Corporation"), hereby waive notice of a meeting and acknowledge the following statements and give their written consent to the following action:

WHEREAS, the Board of Directors of the Corporation, upon careful consideration and deliberation, deems it to be in the best interest of the Corporation to elect the following persons to the offices set forth opposite their names to serve until the expiration of their terms or until their successors shall be duly elected and qualified:

Thomas J. Seward II - President/Chief Executive

Officer

Jesse Camacho - Vice President, Operations

Robert Millis - Treasurer

Sue Manuel - Secretary; therefore be it

RESOLVED, that the above persons be, and they hereby are, elected to the offices set forth opposite their respective names to serve until the expiration of their terms or until their successors shall be duly elected and qualified; and

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such actions as are necessary and reasonable to carry out the purpose for which the Corporation was organized; and

FURTHER RESOLVED, that the Board of Directors hereby ratifies and confirms all actions taken by the previous officers, consisting of Thomas J. Seward, II as President and Chief Executive Officer, Thomas E. Hord as Vice President of Operations, Lo Kok Kee as Vice President, Robert Millis as Secretary, Treasurer, and Chief Financial Officer, and Sue Manuel as Assistant Secretary, on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledge that all actions taken by those officers

on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, being all of the members of the Board of Directors of the Corporation, hereby consent to the action taken herein, it being expressly intended that when each director has signed this Unanimous Written Consent, this document shall be effective as of the 15 day of October 1997.

Thomas J. Seward, II, Chairma of the Board

Thomas E. Hord, Director

Salehuddin Hashim, Director

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Offshore Marine Services Corporation (the "Corporation"), hereby signs this instrument, in lieu of holding a special meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder:

WHEREAS, the sole shareholder has deemed it to be in the best interest of the Corporation to remove Lo Kok Kee and Daniel Tan as members of the Board of Directors, such removal to be effective (21/5), 1993; and

RESOLVED, that Thomas Hord and Salehuddin Hashim be, and they hereby are, appointed to serve as members of the Board of Directors effective _______, 1993, so that with the election of these new directors, the present directors of the Corporation are as follows: Thomas J. Seward, II, Salehuddin Hashim and Thomas Hord; and

FURTHER RESOLVED, that the sole shareholder hereby ratifies and confirms all actions previously taken by the Board of Directors on behalf of the Corporation as the act and deed of the Corporation, and specifically acknowledges that all actions taken by those persons as members of the Board of Directors on behalf of the Corporation inure to the benefit of the Corporation and are in the best interest of the Corporation.

The undersigned, owning 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 15th day of 1993.

ADWAY INTERNATIONAL LIMITED

Ву: _

Name: Salehuddin Hashim

Title: Authorized Signatory

UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS OF

HERCULES REAL ESTATE CORPORATION

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Real Estate Corporation (the "Corporation"), hereby waive notice of a meeting and sign this instrument, in lieu of holding a special meeting of the Board of Directors, to evidence their consent to the adoption of the following resolutions being taken by the Board of Directors.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors, upon careful consideration and deliberation, deems it to be in the best interest of the Corporation to change the Corporation's name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; therefore be it

RESOLVED, that the Board of Directors hereby recommends to the Corporation's sole shareholder that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Offshore Marine Services Corporation."

FURTHER RESOLVED, that, upon approval by the Corporation's sole shareholder, the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; and

FURTHER RESOLVED, that Articles of Amendment to the Articles of Incorporation ("Articles of Amendment"), a form of which has been examined by the Board of Directors, are hereby approved in all respects; and

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed, upon adoption by the Corporation's sole shareholder, to execute and file Articles of Amendment with the Texas Secretary of State and, after such filing, are further instructed to attach a copy of the file-stamped Articles of Amendment to this Unanimous Written Consent.

The undersigned, being all of the members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of the ∂Q^{TA} day of October, 1993.

Lo Kok Kee, Direct

Daniel Tan, Director

Thomas A. Seward, II. Director

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES REAL ESTATE CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Real Estate Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors has deemed it to be in the best interest of the Corporation to change its name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; and

WHEREAS, the sole shareholder, upon careful consideration, deems it to be in the best interest of the Corporation to effectuate such change; therefore be it

RESOLVED, that the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Real Estate Corporation to Hercules Offshore Marine Services Corporation; and

FURTHER RESOLVED, that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Offshore Marine Services Corporation."

FURTHER RESOLVED, that the Articles of Amendment to the Articles of Incorporation, a form of which has been examined by the sole shareholder, are hereby approved in all respects and that a copy of the file-stamped Articles of Amendment be attached to this Written Consent; and

FURTHER RESOLVED, that the Board of Directors be, and it hereby is, authorized and directed to do any and all things that in its opinion, or in the opinion of counsel, is necessary to effectuate the approved corporate name change.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 29th day of October, 1993.

ADWAY INTERNATIONAL LIMITED, sole shareholder

By:

Name: Salehuddin Hashim

Title: Authorized Signatory

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UNANIMOUS WRITTEN CONSENT

OF THE BOARD OF DIRECTORS OF

HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(B) of the Texas Business Corporation Act, the undersigned, being all of the members of the Board of Directors of Hercules Offshore Marine Services Corporation (the "Corporation"), hereby waive notice of a meeting and sign this instrument, in lieu of holding a special meeting of the Board of Directors, to evidence their consent to the adoption of the following resolutions being taken by the Board of Directors.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors, upon careful consideration and deliberation, deems it to be in the best interest of the Corporation to change the Corporation's name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; therefore be it

RESOLVED, that the Board of Directors hereby recommends to the Corporation's sole shareholder that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

FURTHER RESOLVED, that, upon approval by the Corporation's sole shareholder, the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; and

FURTHER RESOLVED, that Articles of Amendment to the Articles of Incorporation ("Articles of Amendment"), a form of which has been examined by the Board of Directors, are hereby approved in all respects; and

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed, upon adoption by the Corporation's sole shareholder, to execute and file Articles of Amendment with the Texas Secretary of State and, after such filing, are further instructed to attach a copy of the filestamped Articles of Amendment to this Unanimous Written Consent.

The undersigned, being all of the members of the Board of Directors of the Corporation, hereby consent to the actions taken herein, it being expressly intended and understood that when each director has signed this Unanimous Written Consent, this document shall be effective as of the $2\frac{1}{2}$ day of $2\frac{1}{2}$. 1993.

Salehuddin Hashim, Director

Thomas Hord, Director

Thomas J. Saward, II., Chairman

of the Board

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF HERCULES OFFSHORE MARINE SERVICES CORPORATION

Pursuant to Article 9.10(A) of the Texas Business Corporation Act, the undersigned, being the only shareholder of Hercules Offshore Marine Services Corporation (the "Corporation"), hereby waives notice of a meeting and signs this instrument, in lieu of holding a special meeting of the shareholders, to evidence its consent to the adoption of the following resolutions being taken by the sole shareholder.

ARTICLES OF AMENDMENT

WHEREAS, the Corporation's Board of Directors has deemed it to be in the best interest of the Corporation to change its name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; and

WHEREAS, the sole shareholder, upon careful consideration, deems it to be in the best interest of the Corporation to effectuate such change; therefore be it

RESOLVED, that the Corporation's Articles of Incorporation be amended to change the corporate name from Hercules Offshore Marine Services Corporation to Hercules Marine Services Corporation; and

FURTHER RESOLVED, that Article I of the Corporation's Articles of Incorporation be amended to read as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

FURTHER RESOLVED, that the Articles of Amendment to the Articles of Incorporation, a form of which has been examined by the sole shareholder, are hereby approved in all respects and that a copy of the file-stamped Articles of Amendment be attached to this Written Consent; and

FURTHER RESOLVED, that the Board of Directors be, and it hereby is, authorized and directed to do any and all things that in its opinion, or in the opinion of counsel, is necessary to effectuate the approved corporate name change.

The undersigned, owing 100% of the issued and outstanding stock of the Corporation, hereby consents to the actions taken herein, it being expressly intended and understood that when it has signed this Written Consent, this document shall be effective as of the 21st day of 100c. 1993.

ADWAY INTERNATIONAL LIMITED sole shareholder

By:

Name: Salehuddin Hashim

Title: Authorized Signatory

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ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act (the "Act"), the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

ARTICLE 1

The name of the corporation is Hercules Offshore Marine Services Corporation.

ARTICLE 2

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on \(\overline{\text{\t

The amendment alters or changes Article I of the amended Articles of Incorporation and the full text of such provision as amended is as follows:

"ARTICLE I

The name of the corporation is Hercules Marine Services Corporation."

ARTICLE 3

The number of shares of the corporation outstanding at the time of such adoption was 2; and the number of shares entitled to vote thereon was 2.

ARTICLE 4

The holders of all the shares outstanding and entitled to vote on said amendment have signed a consent in writing pursuant to Article 9.10 of the Act adopting said amendment and any written notice required by Article 9.10 of the Act has been given.

Dated ______, 1993.

HERCULES OFFSHORE MARINE SERVICES CORPORATION

Name: Thomas J./Seward, II.

Title: President

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MINUTES OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS OF

HERCULES OFFSHORE MARINE SERVICES CORPORATION

December 21, 1993

A special meeting of the Board of Directors of HERCULES OFFSHORE MARINE SERVICES CORPORATION (the "Corporation") was called by Thomas Seward, Chairman, and held in Kuala Lumpur, Malaysia and by telephone.

BOARD MEMBERS PRESENT

The meeting was attended by Thomas Seward, Thomas Hord, and Salehuddin Hashim, with directors Seward and Hashim attending in person and director Hord by telephone. The aforementioned persons constituted all of the directors of the Corporation and a quorum thereof. The meeting was also attended via telephone by invited guest M. A. (Tony) Nunes, legal counsel for the Corporation. Chairman Seward called the meeting to order and stated its purpose and business proceeded as follows:

SECRETARY

The Board of Directors unanimously appointed M. A. Nunes as Secretary of the meeting.

RESOLUTIONS

After careful consideration and deliberation, with all motions being correctly proposed and seconded, the following resolutions were approved and unanimously adopted:

Ratification of Prior Actions

THAT the prior actions of the shareholders and board of directors of the Corporation pursuant to the October 15, 1993 board of director and shareholder resolutions electing new officers and directors be, and they hereby are, approved and ratified in all respects. It was also noted that the reason for changing the composition of the officers and the board of directors was due to vessel documentation purposes, it being necessary for the Corporation to be structured with the following persons as United States citizens:

- 1. The president or other chief executive officer;
- 2. The chairman of the board of directors; and

 A majority of directors necessary to constitute a quorum at meetings.

Purchase of Facilities in Freeport

THAT the proposed purchase by the Corporation of Hercules Offshore Corporation's facilities in Freeport, Texas (previously owned by Mobil Gas Systems) ("Facilities") for an aggregate amount of approximately \$1,650,000, subject to the mutually agreed terms and conditions agreed to by the parties, be and is hereby approved.

Transfer of Service Vessels

THAT the Corporation, in accordance with the provisions of the Purchase and Sale Agreement dated July 23, 1993 between Adway International Limited and Hercules Offshore Corporation (the "Agreement"), accept the transfer of the three service vessels (Bluefin, Hercules, and the Lowe boat) from Hercules Offshore Corporation to the Corporation to confirm to the original shareholder of Hercules Offshore Corporation intent as of the September 1, 1993 asset purchase date, with all appropriate documentation related thereto to be prepared by Bell & Murphy.

Corporate Fiscal Year End

THAT the Corporation's fiscal year end shall be September 30 based upon Robert Millis' memorandum of November 22, 1993, attached hereto as Exhibit A.

Quorum of Directors

THAT unless otherwise prohibited by law, three directors, being all the directors of the Corporation, are necessary to constitute a quorum at directors' meetings and further THAT all actions taken by the directors at a meeting or by consent may only be taken with unanimous approval of all directors of the Corporation.

Bylaws

THAT, pursuant to Article 9.7 of the Bylaws, Article 3.12 of the Bylaws be amended to reflect (i) the requirement of the presence of all board members then in office to constitute a quorum for the transaction of business and (ii) the requirement of the unanimous consent of all board members on actions brought before the board of directors, said amendment to the Bylaws to read as follows:

3.12 Quorum; Majority Vote. meetings of the board of directors the presence of all of the directors then in office shall constitute a quorum for the transaction of business. The act of all of the directors then in office shall be the act of the board of directors, except as otherwise specifically provided by statute, the articles of incorporation, or these bylaws. If a quorum is not present at a meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

No other business coming before the meeting, the meeting thereupon adjourned.

M./ A. (Tony) Nunes, Secretary

AMENDMENT NUMBER 2 TO THE BYLAWS OF HERCULES MARINE SERVICES CORPORATION

3.12 Quorum; Majority Vote. Three (3) directors at the time in office shall constitute a quorum for the transaction of business at any regular or special meeting of the board of directors; provided, however, that the majority of members necessary to constitute such a quorum shall at all times be U.S. citizens, so that there shall in no instance be a quorum which consists of a majority of non-U.S. citizens. If a quorum is not present at a meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Effective April 6, 1994.

Robert H. Millis, Secretary

AMENDMENT NUMBER 1 TO THE BYLAWS

OF HERCULES MARINE SERVICES CORPORATION

3.12 Quorum: Majority Vote. At meetings of the board of directors the presence of all of the directors then in office shall constitute a quorum for the transaction of business. The act of all of the directors then in office shall be the act of the board of directors, except as otherwise specifically provided by statute, the articles of incorporation, or these bylaws. If a quorum is not present at a meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Dated effective December 21, 1993.

Robert H. Millis, Secretary

BYLAWS

OF

HERCULES REAL ESTATE CORPORATION

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BYLAWS

OF

HERCULES REAL ESTATE CORPORATION

ARTICLE 1: OFFICES

- 1.01 <u>Registered Office and Agent</u>. The registered office and registered agent of the corporation shall be as designated from time to time by the appropriate filing by the corporation in the office of the Secretary of State of the State of Texas.
- 1.02 Other Offices. The corporation may also have offices at other places in or out of the State of Texas as the board of directors may determine or as the business of the corporation may require.

ARTICLE 2: SHAREHOLDERS

- 2.01 <u>Place of Meetings</u>. Meetings of shareholders shall be held at the time and place, in or out of the State of Texas, as stated in any notice of a meeting or in a waiver of such notice.
- 2.02 <u>Annual Meetings</u>. Annual meetings of the share-holders shall be held at a time, day and month to be selected by the corporation's board of directors. At an annual meeting, the shareholders shall elect directors and transact such other business as may properly be brought before the meeting.
- 2.03 <u>Voting List</u>. At least ten (10) days before each meeting of shareholders, a complete list of shareholders entitled to vote at the meeting, arranged in alphabetical order, with the address of each and the number of voting shares held by each, shall be prepared by the officer or agent having charge of the stock transfer books. The list, for a period of ten (10) days prior to the meeting, shall be kept on file at the registered office or principal place of business of the corporation and shall be subject to inspection by any shareholder at any time during usual business hours. The list shall also be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting.
- 2.04 <u>Special Meetings</u>. Special meetings of the shareholders, unless otherwise prescribed by statute, the articles of incorporation, or these bylaws, may be called by the president, the board of directors, or the holders of not

less than the percentage of all the shares entitled to vote at the meeting as required by law to call such a meeting. Business transacted at a special meeting shall be confined to the purpose or purposes stated in the notice of such meeting.

- 2.05 Notice of Meetings. Written or printed notice stating the place, day and hour of a meeting and, in case of a special meeting, the purpose or purposes for which such meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the president, the secretary, or the officer or person calling the meeting, to each shareholder entitled to vote at the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer records of the corporation, with postage thereon prepaid.
- Unless otherwise provided for in the 2.06 Quorum. articles of incorporation, the holders of a majority of the shares issued and outstanding and entitled to vote at a meeting of the shareholders, present in person or represented by proxy, shall be the requisite number of such shareholders and shall constitute a quorum for the transaction of Unless otherwise provided in the articles of business. incorporation or these bylaws, once a quorum is present at a meeting of shareholders, the shareholders represented in person or by proxy at the meeting may conduct such business as may be properly brought before the meeting until it is adjourned, and the subsequent withdrawal from the meeting of any shareholder or the refusal of any shareholder represented in person or by proxy to vote shall not affect the presence of a quorum at the meeting. Unless otherwise provided in the articles of incorporation or these bylaws, the shareholders represented in person or by proxy at a meeting of shareholders at which a quorum is not present may adjourn such meeting until such time and to such place as may be determined by a vote of the holders of a majority of the shares represented in person or by proxy at such meeting.
- 2.07 <u>Vote Required</u>. With respect to any matter, other than the election of directors or a matter for which the affirmative vote of the holders of a specified portion of the shares entitled to vote is required by statute, the affirmative vote of the holders of a majority of the shares entitled to vote on any such matter and represented in person or by proxy at a meeting of shareholders at which a quorum is present shall be the act of the shareholders.
- 2.08 <u>Method of Voting</u>. Except as otherwise provided in the articles of incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each

matter submitted to a vote at a meeting of shareholders. At any meeting of the shareholders, any shareholder having the right to vote may vote either in person or by proxy executed in writing by the shareholder. A telegram, telex cablegram, or similar transmission by the shareholder, or a photographic, photostatic, facsimile, or similar reproduction of a writing executed by the shareholder, shall be treated as an execution in writing. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in such proxy. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest as provided by applicable law. Each proxy shall be filed with the secretary of the corporation prior to or at the time of the meeting. Voting for directors shall be in accordance with Section 3.06 of these bylaws. Any vote may be taken by voice or by show of hands unless someone entitled to vote objects, in which case written ballots shall be used.

- 2.09 Record Date; Closing Transfer Books. The board of directors may fix in advance a record date for the purpose of determining shareholders entitled to notice of, or to vote at, a meeting of the shareholders or any reconvening thereof, or entitled to receive a distribution by the corporation or a share dividend, or in order to make a determination of shareholders for any other proper purpose, the record date to be not less than ten (10) nor more than sixty (60) days prior to the meeting; or the board of directors may close the stock transfer records for such purpose for a period of not less than ten (10) nor more than sixty (60) days prior to such meeting. In the absence of any action by the board of directors, the date upon which the notice of the meeting is mailed, or the date on which the resolution of the board of directors declaring such distribution or share dividend is declared, shall be the record date.
- 2.10 Order of Business at Meetings. The order of business at all meetings of shareholders shall be as determined by the chairman of the meeting, but the order of business to be followed at any meeting, other than a special meeting, at which a quorum is present may be changed by a majority of the votes cast at such meeting by the shareholders present in person or represented by proxy and entitled to vote at the meeting. With respect to special meetings, only business within the purpose or purposes described in the notice of the special meeting may be conducted at a special meeting of the shareholders.

ARTICLE 3: DIRECTORS

3.01 Management. The business and affairs of the corporation shall be managed under the direction of the

board of directors who may exercise all such powers of the corporation and do all such lawful acts and things as are not (by statute or by the articles of incorporation or by these bylaws) directed or required to be exercised or done by the shareholders.

- 3.03 Change in Number. The number of directors may be increased or decreased from time to time by amendment to these bylaws but no decrease shall have the effect of shortening the term of any incumbent director. Any directorship to be filled by reason of an increase in the number of directors may be filled by the board of directors for a term of office continuing only until the election of one or more directors by the shareholders or may be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose; provided, however, the board of directors may fill no more than two such directorships during the period between any two annual meetings of shareholders. Notwithstanding the provisions of this Section 3.03 to the contrary, whenever the holders of any class or series of shares are entitled to elect one or more directors by the provisions of the articles incorporation, any vacancies in such directorships and any newly created directorships of such class or series to be filled by reason of an increase in the number of such directors may be filled by the affirmative vote of a majority of the directors elected by such class or series then in office or by a sole remaining director so elected, or by the vote of the holders of the outstanding shares of such class or series, and such directorships shall not in any case be filled by the vote of the remaining directors or the holders of the outstanding shares as a whole unless otherwise provided in the articles of incorporation.
- 3.04 <u>Removal</u>. Any director may be removed either for or without cause at any special or annual meeting of shareholders, by the affirmative vote of a majority in number of shares of the shareholders present, in person or by proxy,

at such meeting and entitled to vote for the election of such director if notice of intention to act upon such matter shall have been given in the notice calling such meeting.

- [3.05 Classification of Directors. The Board of Directors shall be and is divided into three (3) classes, Class I, Class II and Class III, which shall be as nearly equal in number as possible. Each director shall serve for a term ending on the date of the third annual meeting of shareholders following the annual meeting of shareholders at which such director was elected or until his successor is elected and qualified because of his earlier death, retirement, resignation or removal. (Note: no classification of directors shall be effective for any corporation if any shareholder has the right to cumulate his votes for the election of directors, unless there are nine or more board members; See TBCA §2.33; Renumber if §3.05 omitted from bylaws).]
- 3.06 <u>Vacancies</u>. Subject to the provisions of Section 3.03 and 3.04, any vacancy occurring in the board of directors (by death, resignation, removal or otherwise) may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.
- 3.07 <u>Blection of Directors</u>. Unless otherwise provided in the articles of incorporation, directors shall be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present. Cumulative voting shall not be permitted.
- 3.08 Place of Meetings. Meetings of the board of directors, regular or special, may be held in or out of the State of Texas.
- 3.09 <u>First Meetings</u>. The first meeting of a newly elected board of directors shall be held without further notice immediately following the annual meeting of shareholders, and at the same place, unless by unanimous consent of the directors then elected and serving, the time or place is changed.
- 3.10 Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and place as shall from time to time be determined by the board.
- 3.11 <u>Special Meetings</u>. Special meetings of the board of directors may be called by the chairman of the board or president on ____ days' notice to each director, either personally, by mail, telegram or telefax. Special meetings shall be called by the president or secretary in like manner

and on like notice upon the written request of [two/three] directors. Except as otherwise expressly provided by statute, the articles of incorporation, or these bylaws, neither the business to be transacted at, nor the purpose of, any special meeting need be specified in a notice or waiver of notice.

- 3.12 Quorum; Majority Vote. At meetings of the board of directors a majority of the number of directors fixed by these bylaws (less any unfilled vacancies) shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, except as otherwise specifically provided by statute, the articles of incorporation, or these bylaws. If a quorum is not present at a meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.
- 3.13 Compensation. By resolution of the board of directors, the directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of the executive committee or of special or standing committees may, by resolution of the board of directors, be allowed like compensation for attending committee meetings. By resolution of the board of directors, directors may also be entitled to compensation and reimbursement of their expenses in connection with special assignments on behalf of the corporation.
- 3.14 Procedure. At meetings of the board of directors, business shall be transacted in such order as the board of directors may determine. The board of directors shall keep regular minutes of its proceedings. The minutes shall be placed in the minute book of the corporation.

3.15 Interested Directors and Officers.

(a) <u>Validity</u>. If Subsection (b) of this Section is satisfied, no contract or other transaction between the corporation and any of its directors or officers or any corporation, partnership, association, or other organization in which any of them have a financial interest or is otherwise directly or indirectly interested, shall be void or voidable solely because of this relationship or because of the presence of the director or officer at the meeting authorizing the contract or transaction, or his participation or vote in the meeting or authorization.

(b) <u>Disclosure, Approval: Fairness</u>. Subsection
(a) shall apply only if:

- (i) the material facts of the relationship or interest of each such director or officer are known or disclosed:
 - (A) to the board of directors or applicable committee thereof and it nevertheless in good faith authorizes the contract or transaction by a majority of the disinterested directors present, even though such disinterested directors be less than a quorum; or
 - (B) to the shareholders at a meeting of the shareholders and they nevertheless in good faith approve the contract or transaction by a majority of the shares present; or
- (ii) the contract or transaction is fair to the corporation as of the time it is authorized or ratified by the board of directors, the applicable committee thereof or the shareholders.
- (c) <u>Non-Exclusive</u>. This provision shall not be construed to invalidate a contract or transaction which would be valid in the absence of this provision.
- 3.16 <u>Presumption of Assent</u>. A director of the corporation who is present at any meeting of the board of directors or applicable committee thereof at which action on any matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward any dissent by certified or registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE 4: COMMITTEES

- 4.01 <u>Designation</u>. The board of directors may, by resolution adopted by a majority of the whole board, designate one or more committees.
- 4.02 <u>Number</u>; <u>Oualification</u>; <u>Term</u>. Each committee shall consist of one or more directors and may have one or more alternative members who may, subject to any limitations imposed by the board of directors, replace absent or disqualified members at any meeting of that committee. Each

committee member shall serve as such until the earliest of (a) the expiration of his term as director, (b) his resignation as a committee member or director, or (c) his removal as a committee member or director.

- 4.03 <u>Authority</u>. Each committee, to the extent provided in the resolution establishing such committee, shall have and may exercise any or all of the authority of the board of directors in the management of the business and affairs of the corporation. However, no committee shall have the authority of the board in reference to:
 - (a) amending the articles of incorporation, except that a committee may, to the extent provided in the resolution designating the committees or in the articles of incorporation or the bylaws, exercise the authority vested in it in accordance with Article 2.13 of the Texas Business Corporations Act;
 - (b) approving a plan of merger or share exchange;
 - (c) recommending to the shareholders the sale, lease or exchange of all or substantially all of the property and assets of the corporation otherwise than in the usual and regular course of its business;
 - (d) recommending to the shareholders a voluntary dissolution of the corporation or a revocation thereof;
 - (e) amending, altering, or repealing these bylaws or adopting new bylaws;
 - (f) filling vacancies in or removing members of the board of directors or of any committee appointed by the board of directors;
 - (g) filling any directorship to be filled by reason of an increase in the number of directors;
 - (h) electing or removing officers or members of any committee;
 - (i) fixing the compensation of any committee member;
 - (j) altering or repealing any resolution of the board of directors which by its terms provides that it shall not be so amendable or repealable;
 - (k) declaring a distribution;
 - (1) issuing shares of the corporation; or
 - (m) proposing a reduction of the stated capital of the corporation.

- 4.04 <u>Change in Number</u>. The number of members of any committee may be increased or decreased from time to time by resolution adopted by a majority of the whole board of directors.
- 4.05 <u>Removal</u>. Any member of a committee may be removed by the affirmative vote of a majority of the whole board of directors, whenever in its judgment the best interests of the corporation will be served thereby.
- 4.06 <u>Vacancies</u>. A vacancy occurring in a committee (by death, resignation, removal or otherwise) may be filled by the board of directors in the manner provided for original designations in Section 4.01 hereof.
- 4.07 <u>Meetings</u>. The time, place and notice (if any) of committee meetings shall be determined by the committee.
- 4.08 Quorum: Majority Vote. At meetings of any committee, a majority of the number of members designated by the board of directors shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee, except as otherwise specifically provided by statute, the articles of incorporation or these bylaws. If a quorum is not present at a meeting of any committee, the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present.
- 4.09 <u>Compensation</u>. By resolution of the board of directors, the members of any committee may be paid their expenses, if any, of attendance at each meeting of the committee and may be paid a fixed sum for attendance at each meeting of the committee or a stated salary as a committee member. No such payment shall preclude any committee member from serving the corporation in any other capacity and receiving compensation therefor.
- 4.10 <u>Procedure</u>. Each committee shall keep regular minutes of its proceedings and report the same to the board of directors when required. The minutes of the proceedings of each committee shall be placed in the minute book of the corporation.
- 4.11 <u>Responsibility</u>. The designation of any committee and the delegation of authority to it shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed upon it or him by law.

ARTICLE 5: PROVISIONS RELATING TO MEETINGS

5.01 Notice of Meetings. Whenever by statute, the articles of incorporation, these bylaws or otherwise, notice

is required to be given to a director, committee member or shareholder, and no provision is made as to how the notice shall be given, it shall not be construed to mean personal notice, but any such notice may be given: (a) in writing, by mail, postage prepaid, addressed to the director, committee member or shareholder at the address appearing on the books of the corporation; or (b) in any other method permitted by law. Any notice required or permitted to be given by mail shall be deemed given at the time when the same is thus deposited in the United States mails.

- 5.02 <u>Waiver of Notice</u>. Whenever by statute, the articles of incorporation, these bylaws or otherwise, notice is required to be given to a director, committee member or shareholder, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated in such notice, shall be equivalent to the giving of such notice. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- 5.03 <u>Telephone and Similar Meetings</u>. Shareholders, directors or committee members may participate in and hold a meeting by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- 5.04 Action Without Meeting. Any action which may be taken, or is required by law, the articles of incorporation or these bylaws to be taken, at a meeting of shareholders, directors or any committee members may be taken without notice and without a meeting if a consent in writing, setting forth the action so taken, shall be signed by (a) in the case of shareholders, either (i) all of the shareholders entitled to vote with respect to such action, or (ii) if the articles of incorporation so provide, by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted, and (b) in the case of directors or committee members, all of such members of the board of directors or committee, as the case may be, entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect, as of the date stated therein, as a unanimous vote of such shareholders, directors or committee members, as the case may be, and may be stated as such in any document filed with

the Secretary of State of Texas or in any certificate or other document delivered to any person. The consent may be in one or more counterparts so long as each shareholder, director or committee member signs one of the counterparts. The signed consent shall be placed in the minute book of the corporation.

ARTICLE 6: OFFICERS AND AGENTS

6.01 Number: Qualification; Election; Term.

- (a) The corporation shall have: (i) a president and a secretary; and (ii) such other officers (including a chairman of the board, one or more vice presidents and a treasurer) and such assistant officers and agents as the board of directors may, from time to time, deem necessary.
- (b) Officers named in Subsection 6.01(a)(i) shall be elected by the board of directors on the expiration of an officer's term or whenever a vacancy exists. Officers and agents named in Subsection 6.01(a)(ii) may be elected by the board at any meeting.
- (c) Any two or more offices may be held by the same person.
- 6.02 <u>Removal</u>. Any officer or agent may be removed by the board of directors whenever in its judgment the best interest of the corporation will be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.
- 6.03 <u>Vacancies</u>. Any vacancy occurring in any office of the corporation (by death, resignation, removal or otherwise) may be filled by the board of directors.
- 6.04 <u>Authority</u>. Officers and agents shall have such authority and perform such duties in the management of the corporation as are provided in these bylaws or as may be determined, from time to time, by resolution of the board of directors not inconsistent with these bylaws.
- 6.05 <u>Compensation</u>. The compensation of officers and agents shall be fixed from time to time by the board of directors; provided, that the board of directors may delegate to any one or more officers the authority to fix such compensation.
- 6.06 Chairman of the Board. The chairman of the board of directors, if there shall be such an officer, shall, if

present, preside at all meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors or prescribed by the bylaws.

- Unless and to the extent that such 6.07 President. powers and duties are expressly delegated to a chairman of the board by the board of directors, the president shall be the chief executive officer of the corporation and, subject to the supervision of the board of directors, shall have general management and control of the business and affairs of the corporation in the ordinary course of its business with all such powers with respect to such general management and control as may be reasonably incident to such responsibilities, including, but not limited to, the power to employ, discharge, or suspend employees and agents of the corporation, to fix the compensation of employees and agents, and to suspend, with or without cause, any officer of the corporation pending final action by the board of directors with respect to continued suspension, removal, or reinstatement of such officer. Except as otherwise expressly delegated to the chairman of the board, the president shall preside at all meetings of the shareholders and board of directors.
- 6.08 <u>Vice Presidents</u>. The vice presidents in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the president, perform the duties and have the authority and exercise the powers of the president. They shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.

6.09 Secretary.

- (a) The secretary shall attend all meetings of the board of directors and all meetings of the shareholders and record all votes, actions and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the executive and other committees when required.
- (b) He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the board of directors.
- (c) He shall keep in safe custody the seal of the corporation and, when authorized by the board of directors or the executive committee, affix the same to any instrument requiring it. When so affixed, it shall be attested by his signature or by the signature of the treasurer or an assistant secretary.

- (d) He shall be under the supervision of the president. He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.
- 6.10 <u>Assistant Secretaries</u>. The assistant secretaries in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and have the authority and exercise the powers of the secretary. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.

6.11 Treasurer.

- (a) The treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements of the corporation, and shall deposit all funds and other valuables in the name and to the credit of the corporation in depositories designated by the board of directors.
- (b) He shall disburse the funds of the corporation as ordered by the board of directors, and prepare financial statements as they direct.
- (c) If required by the board of directors, he shall give the corporation a bond (in such form, in such sum, and with such surety or sureties as shall be satisfactory to the board) for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.
- (d) He shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.
- 6.12 Assistant Treasurers. The assistant treasurers in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and have the authority and exercise the powers of the treasurer. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or the president may from time to time delegate.

ARTICLE 7: CERTIFICATES AND SHAREHOLDERS

- 7.01 <u>Certificated and Uncertificated Shares</u>. The shares of the corporation may be either certificated shares or uncertificated shares. As used herein, the term "certificated shares" means shares represented by instruments in bearer or registered form, and the term "uncertificated shares" means shares not represented by instruments and the transfers of which are registered upon books maintained for that purpose by or on behalf of the corporation.
- 7.02 Certificates for Certificated Shares. certificates representing certificated shares of stock of the corporation shall be in such form as shall be approved by the board of directors in conformity with law. certificates shall be consecutively numbered, shall be entered as they are issued in the books of the corporation or in the records of the corporation's designated transfer agent, if any, and shall state upon the face thereof: (a) that the corporation is organized under the laws of the State of Texas; (b) the name of the person to whom issued; (c) the number and class of shares and the designation of the series, if any, which such certificate represents; (d) the par value of each share represented by such certificate, or a statement that the shares are without par value; and (e) such other matters as may be required by law. certificates shall be signed by the president or any vice president, and by the secretary, an assistant secretary or any other officer and may be sealed with the seal of the corporation or a facsimile thereof. If any certificate is countersigned by a transfer agent or registered by a registrar, either of which is other than the corporation itself or an employee of the corporation, the signatures of the foregoing officers may be a facsimile.
- 7.03 <u>Issuance</u>. Shares (both treasury and authorized but unissued) may be issued for such consideration (not less than par value) and to such persons as the board of directors may determine from time to time. Shares may not be issued until the full amount of the consideration, fixed as provided by law, has been paid. After the issuance of uncertificated shares, the corporation or the transfer agent of the corporation shall send to the registered owner of such uncertificated shares a written notice containing the information required to be stated on certificates representing shares of stock as set forth in Section 7.02 above and such additional information as may be required by Section 8.408 of the Texas Uniform Commercial Code as currently in effect and as the same may be amended from time to time hereafter.

7.04 Payment for Shares.

(a) <u>Kind</u>. The consideration for the issuance of shares shall consist of money paid, labor done

(including services actually performed for the corporation) or property (tangible or intangible) actually received. Neither promissory notes nor the promise of future services shall constitute payment or part payment for the issuance of shares.

- (b) <u>Valuation</u>. In the absence of fraud in the transaction, the judgment of the board of directors as to the value of consideration received shall be conclusive.
- 7.05 <u>Subscriptions</u>. Unless otherwise provided in the subscription agreement, subscriptions for shares, whether made before or after organization of the corporation, shall be paid in full at such time or in such installments and at such times as shall be determined by the board of directors. Any call made by the board of directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series, as the case may be. In case of default in the payment on any installment or call when payment is due, the corporation may proceed to collect the amount due in the same manner as any debt due to the corporation.
- 7.06 <u>Lost</u>, <u>Stolen or Destroyed Certificates</u>. The corporation shall issue a new certificate in place of any certificate for shares previously issued if the registered owner of the certificate:
 - (a) <u>Claim</u>. Makes proof in affidavit form that it has been lost, destroyed or wrongfully taken; and
 - (b) <u>Timely Request</u>. Requests the issuance of a new certificate before the corporation has notice that the certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim; and
 - (c) <u>Bond</u>. Gives a bond in such form, and with such surety or sureties, with fixed or open penalty, as the corporation may direct, to indemnify the corporation (and its transfer agent and registrar, if any) against any claim that may be made on account of the alleged loss, destruction or theft of the certificate; and
 - (d) Other Requirements. Satisfies any other reasonable requirements imposed by the corporation.
- 7.07 <u>Transfer of Shares</u>. Shares of stock and other securities of the corporation shall be transferable in accordance with the provisions of Chapter 8 Investment Securities of the Texas Business and Commerce Code.

7.08 Registered Owner. The corporation may regard the person in whose name any shares issued by the corporation are registered in the corporation's share transfer records at any particular time as the owner of these shares at that time for purposes of voting those shares, receiving distributions thereon or notices in respect thereof, transferring those shares, exercising rights of dissent with respect to those shares or for any other matters related to the shares.

ARTICLE 8: INDEMNIFICATION.

8.01 <u>Indemnification</u>. The corporation shall indemnify any officer or director to the fullest extent permitted by law.

ARTICLE 9: GENERAL PROVISIONS

9.01 Distributions and Share Dividends.

- (a) <u>Declaration and Payment</u>. Subject to statute and the articles of incorporation, distributions and share dividends may be declared by the board of directors at any regular or special meeting, and paid by the corporation.
- (b) Record Date. The board of directors may fix in advance a record date for the purpose of determining shareholders entitled to receive payment of any dividend, the record date to be not more than sixty (60) days prior to the payment date of such dividend, or the board of directors may close the stock transfer books for such purpose for a period of not more than sixty (60) days prior to the payment date of such dividend. In the absence of any action by the board of directors, the date upon which the board of directors adopts the resolution declaring the dividend shall be the record date.
- 9.02 <u>Books and Records</u>. The corporation shall keep correct and complete books and records of account, shall keep minutes of the proceedings of its shareholders and board of directors, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each.
- 9.03 <u>Checks and Notes</u>. Checks, demands for money, and notes of the corporation shall be signed by officer(s) or other person(s) designated from time to time by the board of directors.

- 9.04 <u>Fiscal Year</u>. The fiscal year of the corporation shall be fixed by resolution of the board of directors.
- 9.05 <u>Seal</u>. The board of directors shall determine the type of seal which may be necessary or appropriate for use by the corporation.
- 9.06 Resignation. A director, committee member, officer or agent may resign by so stating at any meeting of the board of directors or by giving written notice to the board of directors, the president or the secretary. The resignation shall take effect at the time specified in the statement at the board of directors meeting or in the written notice, or immediately if no time is specified, but in no event may the effective time of such resignation be prior to the time such statement is made or such notice is given. Unless it specifies otherwise, a resignation shall be effective without being accepted.

9.07 Amendment of Bylaws.

- (a) These bylaws may be altered, amended or repealed at any meeting of the board of directors at which a quorum is present, by the affirmative vote of a majority of the directors present at such meeting, provided notice of the proposed alteration, amendment or repeal is contained in the notice of the meeting.
- (b) These bylaws may also be altered, amended or repealed at any meeting of the shareholders at which a quorum is present or represented, by the affirmative vote of the holders of a majority of the shares present or represented at the meeting and entitled to vote thereat, provided notice of the proposed alteration, amendment or repeal is contained in the notice of the meeting.
- 9.08 <u>Construction</u>. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural, and conversely. If any portion of these bylaws shall be invalid or inoperative, then, so far as is reasonable and possible:
 - (a) The remainder of these bylaws shall be considered valid and operative, and
 - (b) Effect shall be given to the intent manifested by the portion held invalid or inoperative.

John G. Milles

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INSTRUCTIONS

In a separate binder, organize your Corporate Record Control Sheets by date of annual meeting, fiscal year end or alphabetically. Using the date provides you with an easy reminder for annual reviews. The Control Binder as well as additional Control Sheets are available from your publisher.

ORGANIZED UNDER THE LAWS OF THE STATE OF TEXAS.





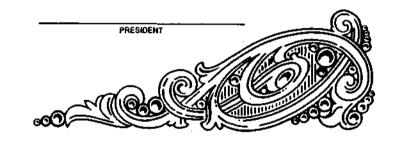
HERCULES MARINE SERVICES CORPORATION

COMMON STOCK

The Corporation is Authorized to Issue 1,000 Shares Common Stock - Par Value \$1.00 Per Share



Liberty Legal .
602 State Street South Houston, Tr. 7751





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THE SHARES OF STOCK OF THE CORPORATION REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE HOLDER HEREOF CANNOT MAKE ANY SALE, ASSIGNMENT OR OTHER TRANSFER OF ANY SHARES OF SUCH STOCK EXCEPT PURSUANT TO AN OFFERING OF SUCH SHARES DULY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, OR UNDER SUCH OTHER CIRCUMSTANCES WHICH IN THE OPINION OF COUNSEL (SATISFACTORY TO THE ISSUER), AT THE TIME DO NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY STATE SECURITIES LAW.

NO HOLDER OF SECURITIES OF THE CORPORATION SHALL BE ENTITLED AS A MATTER OF RIGHT, PREEMPTIVE OR OTHERWISE, TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OF THE CORPORATION NOW OR HEREAFTER AUTHORIZED TO BE ISSUED, OR SECURITIES HELD IN THE TREASURY OF THE CORPORATION, WHETHER ISSUED OR SOLD FOR CASH FOR OTHER CONSIDERATION OR AS DIVIDEND OR OTHERWISE.

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Issued to Ody		•	
			
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Received Certific	ate No Q _	for_ 2. _	Shares
This 154h	Da	y of <u>Oct</u> .	19_ Q3
Received by Od	way Inter	national d	C+d
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			-
Surrendered this	Certificate	-	19
<i>б</i> у			

Consentance of Lucas	Origina	l Certificate	No. of Origit	No. of Shar	
Transferred from	No.	Date	Shares	Transferred	
Kane Maritime	1	1/30/93	a	a	
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IF THIS CERTIFICATE IS SURRENDERED		
New Certificate Issued to	No. of New Certificate	No. of Shares Transferred
		

DEMAND PROMISSORY NOTE

\$800,000

Dated: October 1, 1993

FOR VALUE RECEIVED, the undersigned (the "Borrower"), HEREBY PROMISES TO PAY ON DEMAND to the order of HERCULES OFFSHORE CORPORATION (the "Lender"), the principal sum of EIGHT HUNDRED THOUSAND U.S. DOLLARS (U.S. \$800,000) or, if less, the aggregate unpaid principal amount of all advances made hereunder by the Lender under this Demand Promissory Note ("Note") and outstanding on the date of demand for payment hereunder, together with interest (computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days elapsed) on any and all principal amounts hereunder from time to time outstanding from and including the date hereof until said principal amounts are paid in full, payable [monthly on the last day of each calendar month] and upon demand, at an interest rate per annum equal at all times to

the lesser of (i) the maximum rate allowed by applicable law (the "Maximum Rate") or (ii) the prime rate announced from time to time by NationsBank-Houston.

Principal on this note shall be drawn by the Borrower in multiple advances, up to the maximum amount of the Note, upon request by the Borrower to the Lender. Advances shall be at Lender's discretion. All advances made by the Lender to the Borrower shall be recorded on the Lender's books and on the grid attached hereto; provided however that the advances recorded from time to time on the Lender's books shall constitute absolute proof, absent manifest error, of the sums advanced hereunder. The Borrower agrees that failure to endorse any entry on the attached grid shall not affect the validity of this Note or any of Lender's rights hereunder.

This Note may be prepaid in whole or in part without penalty.

Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended, shall not apply to this Note and the advances evidenced hereby. The Lender and the Borrower further agree that, insofar as the provisions of Article 1.04, Subtitle 1, Title 79, of the Revised Civil Statutes of Texas, 1925, as amended, are relevant to the determination of the Maximum Rate in respect of this Note and the advances made hereunder, the indicated rate ceiling computed from time to time pursuant to Section (a) of such article shall apply to this Note and the advances made hereunder; provided, however, that to the extent permitted by such Article, the Lender from time to time by notice from the Lender to the Borrower may revise its election of such interest

rate ceiling as such ceiling affects the then current or future balances of advances outstanding hereunder.

The Borrower and any and all endorsers, guarantors and sureties severally waive grace, presentment for payment, notice of intent to accelerate, notice of acceleration, notice of dishonor, protest and notice of protest and diligence in collecting and bringing of suit against any party hereto, and agree to all modifications, renewals, extensions or partial payments hereon and to any release or substitution of security, if any, hereof, in whole or in part, with or without notice, before or after maturity.

In the event of a default hereunder the Borrower shall reimburse the Lender or other holder hereof for its reasonable costs of collection, including court costs and attorneys' fees. The failure of the Lender or other holder hereof to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

HERCULES MARINE SERVICES CORPORATION

By: John Mille.

Name: Robert H. Millis

Title: Chief Financial Officer

Place of execution:

Houston, Harris County, Texas

Date of execution:

October 1, 1993

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Amount Amount of Unpaid of Principal Principal Notation Date Advance Repaid Balance Made By Rate F:\MAN\704-15\PN704-15.1 -3-

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